Congress of the United States
Washington, D.C. 20515

May 2, 2025

The Honorable Tom Cole
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Rosa L. DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Andy Harris
Chairman
Committee on Appropriations
Subcommittee on Agriculture,
Rural Development, Food and Drug Administration,
and Related Agencies
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sanford Bishop, Jr.
Ranking Member
Committee on Appropriations
Subcommittee on Agriculture,
Rural Development, Food and Drug
Administration, and Related Agencies
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Cole, Ranking Member DeLauro, Chairman Harris, and Ranking Member Bishop:

As you consider the Fiscal Year (FY) 2026 appropriations bill for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, we urge you to provide relief for thousands of rural residents who may otherwise face significant rent increases or displacement. Rural America is home to nearly 70 million people, or 20% of the U.S. population, who like the rest of the country are struggling with an aging housing stock, undersupply challenges, rising rents, and worsening homelessness.[1]

Federally funded housing programs through the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) are often some of the only sources of affordable housing solutions in rural areas. Unfortunately, it has been reported that USDA Secretary Brooke Rollins and the Trump Administration have plans to significantly cut staffing within the agency by at least 30%.[2] In fact, in a recent interview, Secretary Rollins referenced plans to downsize USDA's Rural Development office, which includes the Rural Housing Service.[3] However, as Democrats and Republicans alike have pointed out over the years, USDA's role in addressing the unique housing needs of rural America cannot be overstated.

To address growing housing needs in rural America, we urge you to consider the funding and programmatic requests for USDA's Rural Housing Service (RHS), as outlined in this letter.

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[1] USDA, *Rural Classifications - What is Rural?* (Jan. 8, 2025); See also National Low Income Housing Coalition, *Housing Needs in Rural Communities* (Mar. 8, 2024).
[2] Politico, *Lawmakers brace for farmer feedback* (Apr. 14, 2025); *See also* Government Executive, *White House pitches layoffs, local office closures and program eliminations at USDA* (Apr. 15, 2025); See also Housing Assistance Council, *USDA will propose closing local offices, reducing and relocating staff, report says* (Apr. 17, 2025).
[3] University of Illinois Farm Policy News, *USDA Downsizing Plan to be Ready by Mid-May, Rollins Says* (Apr. 24, 2025).

Provide Robust Funding and Targeted Reforms to the Rural Development Voucher Program

Funding and Eligibility. The Rural Development Voucher Program (RDVP, or RD vouchers) is critical to ensuring that Section 515 households can remain stably housed. The vast majority (92%) of Section 515 tenants have incomes less than 50% of area median income. More than half of the assisted households are headed by elderly people or people with disabilities.[1] While Section 515 households are eligible for RD vouchers if a 515 mortgage is prepaid or goes into foreclosure, eligibility for RDVP does not extend to residents in properties with 514 mortgages that are prepaid or go into foreclosure. Moreover, households in either type of properties are ineligible for vouchers when the loans for those properties mature even though they are similarly at risk of displacement. **We respectfully urge that the FY 2026 appropriations bill include language that extends eligibility for RDVP to Section 514 residents in developments that are owned by nonprofit or public entities and to all residents of 514 and 515 properties when mortgages loans for those properties mature. We also request full funding for RD voucher renewals in FY 2026.**

Eliminate Incentives for Prepayments. Additionally, we urge you to eliminate certain incentives for owners of Section 515 and 514 properties to prepay their loans. First, RD currently offers vouchers to all households residing in prepaid developments, even when there are use restrictions in place that would preserve affordability for existing tenants in the absence of vouchers. In properties where use restrictions are in place, fully funded RD vouchers are unnecessary because the affordability of the unit is protected by the use restriction and the availability of RD vouchers actually acts as an incentive for owners to prepay, which undermines the Emergency Low-Income Housing Preservation Act of 1978 (ELIHPA). **To deter Section 514 and 515 loan prepayments, we urge you to include the following language:** *"RHS shall not issue vouchers to residents who remain in developments that are prepaid subject to any restrictive use agreements entered pursuant to section 502(c)(5)(G)(ii). At the end of the first year after prepayment, and annually thereafter, RHS shall review and approve all proposed rent increases to residents that are not fully protected by the use restrictions and issue, to these residents, limited voucher assistance that covers the cost of all rent increases approved in conformance with the requirements of section 502(c)(5)(G)(ii)(I)."* This change is expected to substantially reduce the cost of operating the voucher program for the next several years.

Second, when owners want to prepay their Section 515 or 514 loans, the Emergency Low-Income Housing and Preservation Act (ELIPHA) requires owners to offer their developments for sale to non-profit or public entities if RHS determines that the prepayment will materially impact minority housing opportunities in the development and the community in which it is located. Unfortunately, RD is using the availability of RD vouchers to mitigate the impact that a prepayment will have on minority housing opportunities, which undermines the purpose of the prepayment restrictions that were enacted by the ELIHPA by allowing owners to accept RD vouchers, instead of preserving the property's affordability by seeking a non-profit or public entity buyer. In 2005, when the vouchers were first authorized, the Conference Committee Report accompanying the Fiscal Year 2006 appropriations made it clear that the voucher program was not intended to modify or replace the use restrictions imposed by ELIHPA. **To remedy RD's current practice, we ask that you include the following language in the FY 2026 appropriations bill:** *"Provided further, That RHS shall not consider the availability or issuance of vouchers in determining, in accordance with Section 502(c)(5)(G)(ii), whether a prepayment will have a material impact on minority housing opportunities, on current residents in the development, or in the community."* In addition to eliminating these incentives to prepay, the language proposed above should also save substantial amounts of money in operating the RDVP account.

Allow for Adjustment of Rental Subsidy Calculation. Finally, there is language that has been included in several past appropriations bills that locks in vouchers subsidy amounts at the difference between comparable market rent and a tenant's rental contribution for the unit. This language precludes RHS from adjusting the voucher subsidy once a voucher has been issued, which creates extreme hardship for renters who experience a change in household size or a loss of income after the voucher is issued. These limitations are particularly harmful to elderly households. For example, when one person in a two-member household dies, the rent for the remaining household member may double as a result of RHS' inability to adjust the voucher subsidy. Past language has also precluded RHS from including the cost of utilities in the voucher subsidy for residents who reside in projects that had a utility allowance before prepayment, which forces residents to pay the cost of utilities directly. Moreover, RD's inability to extend the voucher subsidy to cover the utility costs, which are allowable costs under HUD's Housing Choice Voucher Program, forces rural households in states with cold seasons to pay an additional $75 or more per month during the fall and winter months compared to what they paid before the prepayment. **We therefore request that the following sentence, or similar language, be excluded from the FY 2026 appropriations bill**: *"Provided further, That the amount of such voucher shall be the difference between comparable market rent for the section 515 unit and the tenant paid rent for such unit…" This will allow the Secretary to base the voucher amount on the fair market rents and the local utility allowance and 30 percent of tenant income and remove the barrier to making income and household size-based adjustments for tenants.*

<u>Provide Robust Funding for Housing Rehabilitation and Preservation</u>

As you may know, USDA's Section 515 and Section 514 Programs are often coupled with Section 521 Rural Rental Assistance (RA) to produce nearly 400,000 affordable housing units that help ensure rural renters pay no more than 30% of their incomes on rent.[4] However, the repayment terms of thousands of Section 515 loans are maturing. Because RA contracts are tied to these properties, the RA terminates alongside Section 515 mortgage loans when they mature or are prepaid. As a result, there are long-standing concerns about the loss of affordability of these properties and the risk of rural families facing displacement or homelessness as many of these loans are reaching the end of the mortgage life cycle.[5] In fact, the Housing Assistance Council estimates that nearly all Section 514 and 515 loans will have matured by 2050. According to the USDA, "Each year from 2022 to 2028 an average of 80 properties per year will mature, and from 2028 to 2040 that average increases dramatically to 550 properties per year."[6] **We request the Committee maintain appropriations language to provide USDA's Rural Housing Service the continued authority to decouple Section 521 RA from section 515 loans to support the rehabilitation and preservation of affordable multifamily housing in rural communities.**

Separately, while RD vouchers are an important part of ensuring that residents are not displaced, they do not address the underlying problem of an aging affordable rental housing stock in rural America that is in desperate need of rehabilitation. The most recent assessment of the capital needs of Section 515 and 514 properties was conducted in 2016 and estimated that the reserves deficit for Section 515 and 514 proprieties was in excess of $5.596 billion.[2] The Section 515 and 514 programs can be used to rehabilitate aging properties, and the Multifamily Preservation & Revitalization (MPR) Demonstration also helps preserve and improve Section 515 and 514 properties through loan restructuring, grants for non-profits, no-interest loans, and debt deferral options. However, the funding levels for these programs

[4] USDA, *Fiscal Year 2023 Multifamily Housing Annual Occupancy Report* (Oct. 2023).
[5] Housing Assistance Council, *Rental Housing for a 21st Century Rural America* (Sep. 2018).
[6] USDA, *2025 USDA Explanatory Notes - Rural Housing Service* (2024).

are wholly insufficient to meet the growing need for capital to rehabilitate aging properties. **As you consider funding levels to support the recapitalization of rural housing, we respectfully request that you provide $200 million for the Section 515 program, $75 million for the Section 514 program, $35 million for the Section 516 Farm Labor Housing Grant program, and $1 billion for the MPR demonstration program for FY 2026 in order to invest in the rehabilitation of these aging properties**.

Fully Fund the Section 521 Rental Assistance Program

The Section 521 Rental Assistance (RA) Program is a project-based subsidy available in Section 515 Rural Rental or Section 514/516 Farm Labor Housing properties designed to keep rents affordable for low-income tenants. Similar to HUD's Project Based Rental Assistance Program, Section 521 RA covers the difference between a tenant's rental contribution of 30% of their income and the total contract rent. While approximately 24% of all units assisted through HUD's rental assistance programs are located in rural areas, USDA rural housing programs, such as 521 RA, help to further meet the needs of rural renters.[3] To support rural renters, Congress enacted $100 million in funding through the American Rescue Plan Act, which expanded 521 RA to include previously unassisted units in an estimated additional 27,000 units in more than 3,700 properties. Underfunding the 521 RA program during the current high inflationary economic environment and during a time when house prices have increased by nearly 60% since May 2020 would have a negative impact on rural residents who are in need of this critical lifeline, including by exacerbating the homelessness crisis in rural areas. Indeed, according to HUD's latest homelessness data, largely rural areas are experiencing disproportionate rates of unsheltered homelessness and homelessness among families with children.[7] For these reasons, **we respectfully urge that the FY 2026 appropriations bill fully fund the 521 Rental Assistance account to include the renewal of assistance to all cost-burdened low-income families who currently rely on this assistance to remain stably housed.**

Thank you for your consideration of these important issues and for your efforts to protect families who depend on the USDA's rural housing programs. Please contact Financial Services Committee Minority staff with any questions about this letter.

Sincerely,

Maxine Waters
Ranking Member
Committee on Financial Services

Emanuel Cleaver, II
Member of Congress

[7] HUD, *The 2024 Annual Homelessness Assessment Report (AHAR) to Congress* (Dec. 2024).

Gregory W. Meeks
Member of Congress

Stephen F. Lynch
Member of Congress

Al Green
Member of Congress

Nydia M. Velázquez
Member of Congress

Joe Courtney
Member of Congress

Rick Larsen
Member of Congress

Jim Himes
Member of Congress

Joyce Beatty
Member of Congress

MARK TAKANO
Member of Congress

Juan Vargas
Member of Congress

Bill Foster
Member of Congress

Sylvia R. Garcia
Member of Congress

Vicente Gonzalez
Member of Congress

Mark DeSaulnier
Member of Congress

Alma S. Adams, Ph.D.
Member of Congress

Sean Casten
Member of Congress

Troy A. Carter, Sr.
Member of Congress

Sheila Cherfilus-McCormick
Member of Congress

Val Hoyle
Member of Congress

Brittany Pettersen
Member of Congress

Yassamin Ansari
Member of Congress

Cleo Fields
Member of Congress

Shomari Figures
Member of Congress

Sam T. Liccardo
Member of Congress

Delia C. Ramirez
Member of Congress