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

April 26, 2021

The Honorable Rosa DeLauro Chairwoman House Committee on Appropriations	The Honorable Kay Granger Ranking Member House Committee on Appropriations
The Honorable Sanford Bishop Chairman U.S. House of Representatives Committee on Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies	The Honorable Jeff Fortenberry Ranking Member U.S. House of Representatives Committee on Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Chairwoman DeLauro, Ranking Member Granger, Chairman Bishop, and Ranking Member Fortenberry,

As you consider the fiscal year (FY) 2022 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. As you may know, over 258,000 Section 515 Rural Rental Housing Units and over 10,000 Section 514 Farm Labor Housing Units are coupled with Rural Rental Assistance (RA), which ensures tenants pay no more than 30 percent of their incomes for rent but this RA is only made available for the duration of the mortgage term. Because RA contracts terminate when a loan matures, is prepaid, or foreclosed upon, there are serious concerns about the continued affordability of those properties and the risk of tenant displacement as many of these loans are reaching the end of the mortgage life cycle. In fact, the Housing Assistance Council estimates that nearly all Section 514 and 515 loans will have matured by 2050. We urge you to consider the following funding and programmatic requests to programs administered by the USDA's Rural Housing Service (RHS) that will help protect rural residents by ensuring that vouchers and other resources are available to invest in the preservation and revitalization of aging Section 515 and 514 properties.

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. Sixty-three percent of Section 515 and 514 households are headed by a very low-income elderly person or a person with a disability. The coronavirus pandemic has only underscored the need for increased rental assistance to help rural renters struggling to pay rent and provide a stable income source for rural housing providers. 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 not eligible for vouchers when the loans for those properties mature even though they are similarly at risk of displacement. We respectfully urge that the FY 2022 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 $45 million to fund RD vouchers in FY 2022, which is $5 million more than was authorized for FY 2021. Advocates expect that this increase will cover the cost of the voucher program in FY 2022 and we ask that you support that funding level.

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 this end, 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. This 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 offering their developments for sale to a non-profit or public entity. 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 the use restrictions imposed by ELIHPA. RD's current practice should, therefore, be remedied by including the following language in the FY 2022 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 the past several appropriations bills that permanently fixes the subsidy amount of the voucher at the difference between comparable market rent and tenant paid rent for the unit. This language precludes RHS from adjusting the voucher subsidy once a voucher has been issued, which creates extreme hardship for tenants who have 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. The language also precludes RHS from including the cost of utilities in the voucher subsidy for residents who reside in projects that had a utility allowance before the prepayment and 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 covered by the HUD Housing Assistance Payment Voucher Program, forces residents in states with cold falls and winters to pay at least $75 or more per month during the fall and winter than they paid before the prepayment. We therefore request that the following sentence be excluded from the FY 2022 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.

Provide Robust Funding for Preservation

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 four years ago and estimated that the reserves deficit for the 515 and 514 programs is in excess of $5.596 billion.[1] 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. However, the funding levels for these programs are wholly insufficient to meet the growing need for capital to rehabilitate these aging properties. This is particularly true because for the last eight years RD has been using MPR appropriations to fund shortfalls in the RD voucher program. Therefore, we respectfully request that you provide $100 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 $200 million for the MPR demonstration program for FY 2022 in order to invest in the rehabilitation of these aging properties. The funding level we are requesting for the MPR program is consistent with H.R. 1728, the "Strategy and Investment in Rural Housing Preservation Act of 2021." A similar bill, H.R. 3620 passed the House in 2019 with bipartisan support.

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 Sarah Bassett with Chairwoman Waters at Sarah.Bassett@mail.house.gov with any questions about this letter.

Sincerely,

Maxine Waters

Chairwoman Maxine Waters

Emanuel Cleaver

Congressman Emanuel Cleaver, II

Rural Housing, FY 2022
List of Signatories
April 26, 2021

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