

Congress of the United States
Washington, DC 20515

March 15, 2018

The Honorable Rodney Frelinghuysen
Chairman
Committee on Appropriations

The Honorable Nita Lowey
Ranking Member
Committee on Appropriations

The Honorable Robert Aderholt
Chairman
Subcommittee on Agriculture, Rural
Development, Food and Drug Administration,
and Related Agencies
Committee on Appropriations

The Honorable Sanford Bishop
Ranking Member
Subcommittee on Agriculture, Rural
Development, Food and Drug Administration,
and Related Agencies
Committee on Appropriations

Chairman Frelinghuysen, Ranking Member Lowey, Chairman Aderholt, and Ranking Member Bishop,

As you consider the fiscal year (FY) 2019 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 know, Rural Rental Housing Loans (Section 515) and Farm Labor Housing Loans (Section 514) are coupled with Rural Rental Assistance (RA) and Interest Credit (IC) subsidies that are both only provided for the duration of the mortgage term. Because the RA and IC contracts terminate when a loan matures or is prepaid, there are serious concerns about affordability and tenant displacement as many of these loans are reaching the end of the mortgage life cycle. Over the next ten years, according to data from the United States Department of Agriculture (USDA), 976 Section 515 and 514 loans, housing approximately 25,000 households, will mature. Eight hundred and twenty three of these are Section 515 developments and the balance are Section 514 developments. 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 vulnerable tenants by ensuring that vouchers and other resources are available, and investing in the preservation and revitalization of aging Section 515 and 514 properties.

The Rural Development Voucher Program

The Rural Development Voucher Program (RDVP, or RD vouchers) is critical to ensuring that tenant households, 60 percent of whom are headed by a very low-income elderly person or a person with a disability, can continue to remain stably housed. The FY 2017 and 2018 House appropriations bill included language that extended RD vouchers to persons living in Section 515 properties with maturing mortgages—a significant change that should be carried forward in the FY 2019 appropriations bill. However, the FY 2017 appropriations bill failed to include additional funding to account for the expansion in eligibility for RDVP. Without additional funding and, as we explain below, without a change in RD's issuance of vouchers to

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 the 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. This is particularly harmful to elderly households when one person, in a two member household, dies. The rent for the remaining household member may double as a result of RHS's inability to adjust the voucher subsidy. **We therefore request that the following sentence, which has been included in appropriations bill for the last several years, be excluded from the FY 2019 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 30 percent of tenant income, in accordance with the relevant statute, and remove the barrier to making income and household size-based adjustments for tenants.

Section 515 and the Multifamily Preservation & Revitalization Demo

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 Section 515 and 514 programs can be used to rehabilitate aging properties, and the Multifamily Preservation & Revitalization Demonstration (MPR) 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 RD has been using MPR appropriations to fund the RD voucher shortfalls. The most recent assessment of the capital needs of Section 515 and 514 properties estimated that the reserves deficit for the 515 and 514 programs is in excess of \$5.596 billion.¹ Moreover, RHS has over a \$200 million backlog in the MPR program. **Therefore, we respectfully request that you provide \$40 million for the Section 515 program, \$23.8 million for the Section 514 program, and \$30 million for the MPR demonstration program for FY 2019 in order to invest in the rehabilitation of these aging properties.**

Letters of Priority Entitlement

RHS currently issues Letters of Priority Entitlement (LOPEs) to some but not all residents who face displacement due to loan prepayment, loan maturation, loss of subsidies or household breakups due to domestic violence. Households that receive a LOPE are granted priority admission to other RHS developments and potentially HUD-assisted housing. This does not create additional costs to either the RHS or HUD programs but simply gives existing subsidized residents an opportunity to relocate to alternative housing. **To help ensure housing**

¹ CoreLogic and RSM US LLP, “USDA Rural Development Multi-Family Housing Comprehensive Property Assessment,” March 2016, available at: <https://www.rd.usda.gov/files/reports/USDA-RD-CPAMFH.pdf>

households that do not need them, the National Housing Trust (NHT) and the National Housing Law Project (NHLP) anticipate that RDVP will experience another funding shortfall, as it did in FY 2016, 2017 and 2018. **For these reasons, we urge you to increase funding for the RDVP to a minimum of \$27 million for FY 2019, an amount that NHLP estimates is necessary to account for all newly eligible households at the program's current voucher utilization rate.**

Further, eligibility for RDVP still does not extend to residents in properties with Section 514 farm labor housing loans, even though they are similarly at risk of displacement. **We respectfully urge that the FY 2019 appropriations bill includes language that extends eligibility for RDVP to both Section 515 and 514 residents.**

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 are intended to preserve affordability for existing tenants. In properties where use restrictions are in place, fully funded RD vouchers are unnecessary 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 to clarify the intent of the rural voucher program:** *"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). 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 approved future rent increases."* We believe that this change will reduce the cost of operating the voucher program for the next several years even if it is extended to Section 514 residents and to residents in properties with maturing mortgages.

Second, when owners want to prepay their Section 515 or 514 loans, RHS 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. There is significant evidence that RHS 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 2019 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 an adverse 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.

stability for all residents who are potentially displaced from RHS housing, we request that the following language be inserted in the FY 2019 Appropriations bill: *“RHS shall issue Letters of Priority Entitlement to all residents who face displacement from a Section 514 or 515 development due to loan prepayment, loan maturation, loss of RHS or other subsidies, and all forms of domestic violence as described by VAWA 2013. RHS shall also work with the Secretary of Housing and Urban Development to ensure that LOPEs are honored by HUD financed and subsidized developments.”*

The Violence Against Women Act

The Violence Against Women Act (VAWA) Reauthorization of 2013 inadvertently failed to include the RD Voucher program as one of the housing programs subject to the Act. For the past 12 years, RD has been using modified HUD Voucher forms, which include VAWA protections, when it has operated the RD Voucher program. In 2013, RD published proposed RD voucher program regulations that did not include VAWA protection. **To ensure that RD continues to maintain VAWA protections for households receiving vouchers we suggest that the following language be inserted in the FY 2019 Appropriations bill:** *“RHS shall operate the voucher program in a manner that conforms to all the provisions of the VAWA 2013, as it may be amended.”*

Minimum Rents Low-Income Rural Residents

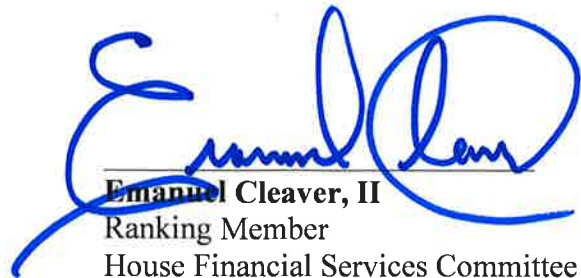
The President’s FY 2019 budget proposal seeks to establish a \$50 per month minimum rent for low-income tenants in Section 515 multifamily or Section 514 farm labor housing. Such a proposal would significantly raise rents on extremely low-income tenants earning less than \$2,000 per year, most of whom are seniors and individuals with disabilities on fixed incomes. **We urge that this proposal be rejected** as it was in 2014 and 2015.

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. If you have any questions about this letter, please contact Jennifer Shapiro with Ranking Member Emanuel Cleaver at Jennifer.Shapiro@mail.house.gov or Esther Kahng with Ranking Member Maxine Waters at Esther.Kahng@mail.house.gov.

Sincerely,

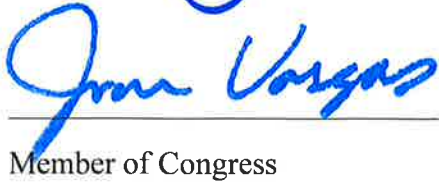


Maxine Waters
Ranking Member
House Financial Services Committee



Emanuel Cleaver, II
Ranking Member
House Financial Services Committee
Subcommittee on Housing and
Insurance

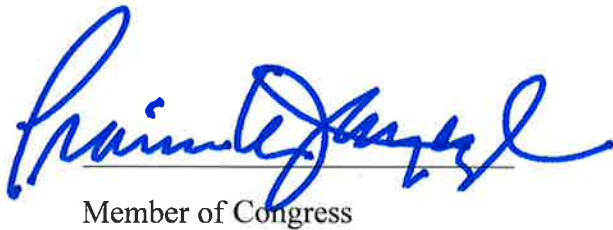

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