



703 Market St., Suite 2000
San Francisco, CA 94103
Telephone: 415-546-7000
Fax: 415-546-7007
nhlp@nhlp.org
www.nhlp.org

RD Minimum Rent Proposal Affects Lowest Income Seniors and Disabled Households and Is Inconsistent with HUD Subsidized Housing Programs

The President's 2015 Budget seeks to impose a \$50 per month minimum rent on tenants living in USDA Rural Development (RD) financed Section 515 Rural Rental Housing and Section 514 and 516 Farm Labor Housing.¹ This will only impact extremely low-income households with adjusted annual incomes of less than \$2,000.² These are the absolute poorest households residing in RD housing. They typically do not have a regular source of income.

RD indicates this requirement will affect about 42,000, or 10%, of the households living in RD rental housing.³ What type of households are these?

- **Elderly households.** According to RD's latest statistics, nearly 60% of households occupying RD rental housing are 62 years of age or older.⁴
- **Disabled Households.** Households that have a person with a disability comprise nearly 48% of all RD rental households.⁵
- **Single Female Households.** They comprise over 69% of total one person households in RD rental housing.⁶
- **Female Head of Multi-Person Households.** They are nearly 75% of all multi-person RD rental households.⁷

In other words, this change will impact the most destitute tenants who have the least capacity to pay minimum rent. They are vulnerable households who temporarily or permanently do not receive Social Security, Disability, or other assistance and have no regular full time employment. They are simply unable to pay minimum rent.

¹ OMB, THE APPENDIX, BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 2015, Pg. 127 (March 4, 2014).

² Households with adjusted income of over \$2,000 per year, pay over \$50 per month in rent under the RD rent formula which requires households to pay 30% of adjusted income for rent.

³ 2015 USDA BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS, 29-43 (March 11, 2013) (available at http://www.obpa.usda.gov/FY15explan_notes.html)

⁴ Tony Hernandez, Rural Development Administrator Housing and Community Facilities Programs, RESULTS OF 2013 MULTI-FAMILY HOUSING ANNUAL FAIR HOUSING OCCUPANCY REPORT, Att. A, Pg. 1 (Feb. 21, 2014).

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

Ironically, RD claims that the imposition of minimum rents will “encourage financial responsibility in tenants, increasing their opportunity for success on the path to homeownership.”⁸ Nothing could be further from the truth. Elderly and disabled persons with less than \$2,000 in annual income are more likely to become homeless from the imposition of minimum rents than to become successful homeowners.⁹

RD contends that residents in need will have hardship exemptions from the minimum rent requirements, as HUD tenants do. In fact, a 2010 HUD sponsored study found that the extension of HUD’s hardship exemptions was extremely rare. Among public housing authorities that had adopted minimum rents, 82 reported granting exemptions to less than 1% of families subject to minimum rent and only 5% of the agencies said that they had exempted more than 10% of eligible families.¹⁰ There is no reason to believe that the experience of RD residents will be any different. Just as in the HUD programs, RD residents are not likely to become aware of the hardship exemptions or how they may qualify for them.

HUD is authorized to impose minimum rents on tenants in Project-based Section 8 housing, but, based on the population served, the RD Section 515 program is most comparable to the HUD Section 202 elderly and Section 811 disabled housing programs.¹¹ Congress has never adopted minimum rent requirements for either of these programs except when they are assisted by the HUD Project-based Section 8 program.¹² Indeed, Congress rejected the Administration’s 2013 budget proposal to extend minimum rents to these developments.¹³ The HUD minimum rent provisions also do not apply to HUD assisted housing under its Rental Assistance, Rent Supplement, Section 221(d)(3) BMIR or Section 236 programs.¹⁴ Moreover, in the HUD project-based Section 8 subsidy programs, HUD only charges a \$25 minimum rent, one-half of what RD is proposing.¹⁵

RD estimates that if fully implemented, the imposition of minimum rents will ultimately generate \$20 million in revenue. Given the fact that the Rental Assistance

⁸ RD repeats this claim four times in its March 11, 2014 Budget Explanatory Statement. 2015 USDA BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS, Pgs. 29-41, 29-43, and 29-46.

⁹ A person with \$1,000 in annual income, paying \$50 in minimum rent will be required to pay 60% of annual income for shelter. This takes away the person’s capacity to pay for food, medicine or doctor’s bills.

¹⁰ See, Center on Budget and Policy Priorities, PRESIDENT’S PROPOSAL TO RAISE RENTS ON SOME OF THE NATION’S POOREST HOUSEHOLDS WOULD CAUSE SERIOUS HARDSHIP (March 20, 2012) (available at <http://www.cbpp.org/cms/?fa=view&id=3706>).

¹¹ Indeed, the Section 515 rental housing program was first modeled after the HUD Section 202 elderly housing program. See, Senior Citizens Housing Act of 1962, Pub. L. No. 87-723, § 4(b), 76 Stat. 670 (1962).

¹² HUD Handbook 4350.3, ¶ 5-25-D.

¹³ See *id.* See also, CBPP, SENATE FUNDING BILL IMPROVES ON PRESIDENT’S BUDGET REQUEST FOR RENTAL ASSISTANCE (May 22, 2012) (available at <http://www.cbpp.org/cms/?fa=view&id=3782>).

¹⁴ HUD Handbook 4350.3, ¶ 5-25-D.

¹⁵ *Id.*

program alone costs the federal government over \$1.1 billion, the savings is paltry. Moreover, the savings seems not to recognize that a significant number of households will qualify for hardship exemptions. If it did, the savings would decrease dramatically.

In its 2015 Budget Explanatory Statement RD states that “**Rental Assistance is vital to beneficiaries by providing tenants with the financial support to remain in their home, providing a stable home life to support the tenant and their family. This stability is critical to elderly and disabled tenants without the means to otherwise live on their own.**”¹⁶ If the agency truly believes this, it should abandon its efforts to impose minimum rents on the neediest residents in its rental housing programs.

¹⁶ 2015 USDA BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS, 29-41 (emphasis added).