Chairman Rogers, Ranking Member Lowey, Chairman Aderholt, and Ranking Member Farr,

As you consider the fiscal year (FY) 2017 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), meaning that both RA and IC are only provided for properties that are financed by Section 515 or 514, and only for the duration of the mortgage. Because the RA and IC contracts terminate when the loan matures or is prepaid, there are serious concerns about affordability and tenant displacement as many of these loans are now reaching the end of the mortgage life cycle. Over the next four years, 8,066 Section 515 and 514 loans will mature, 8,000 of which are Section 515 developments. We urge you to consider the following funding and programmatic requests to programs administered by the U.S. Department of Agriculture's (USDA's) Rural Housing Service (RHS) that will help protect vulnerable tenants by ensuring that vouchers and other resources are available, and by investing in the preservation of aging Section 515 and 514 properties.

<u>The Rural Development Voucher Program</u>

The Rural Development Voucher Program (RDVP, or RD vouchers) is critical to ensuring that tenant households, 60 percent of whom are headed by an elderly person or a person with a disability, can continue to remain stably housed. Unfortunately, RD vouchers are only provided to tenants living in Section 515 properties for which the mortgage was prepaid. RD vouchers are not provided to tenants living in Section 515 properties for which the mortgage has matured; they are also not available to tenants living in Section 514 properties. The Administration's budget proposal would extend eligibility for RD vouchers to include persons living in Section 515 properties with maturing mortgages, which is an important and welcome step towards addressing this issue. However, this proposal continues to ignore tenants in Section 514 properties in the same predicament, and according to the National Housing Trust and the National Housing Law Project, the amount of funding that the Administration has requested for RDVP is substantially less than what is necessary to reach all voucher eligible households at the program's current utilization rate. **For these reasons, we respectfully request that you: (1) include the Administration's budget proposal to expand RDVP to Section 515 properties with mature mortgages; (2) further expand RDVP to serve Section 514 properties with prepaid or mature mortgages; and (3) fund RDVP at a minimum of $25.7 million for FY17, an amount which accounts for the newly eligible households at the program's current voucher utilization rate.**

Additionally, there is language that has been included in the past several appropriations bills that permanently fixes the amount of the voucher at the difference between comparable market rent and the tenant paid rent for the unit. This 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. **We therefore request that the following sentence is not included in the FY17 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 adjustments for tenants based on changes in income and household size.

Legislative language is also needed to ensure that owners of Section 515 and 514 properties are not granted incentives to prepay their loans. Currently, owners who prepay their loans are subject to certain requirements if RHS determines that the prepayment will have an adverse effect on minority housing opportunities or on current residents. If RHS determines that the prepayment will have an adverse impact on minority housing opportunities, the owner is required to offer their developments for sale to nonprofit or public entities. If RHS determines that the prepayment will not have an adverse impact on minority housing opportunities, but would have an adverse impact on current residents, the owner is subject to use restrictions that preserve the affordability of the property. However, if RD vouchers are extended to the property, RHS can then eliminate the requirement to sell the property to nonprofit or public entities because the impact on minority housing opportunities is mitigated by the vouchers. Owners who receive RD vouchers also no longer have to be concerned about affordability under a use restriction. This encourages owners to prepay their loans and unnecessarily increases the cost of operating RDVP. **This should be remedied by including the following language in the FY17appropriations 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 or current residents and RHS shall not issue vouchers to residents of developments that are prepaid subject to any restrictive use agreements entered pursuant to that section."*

<u>Section 515 and the Multifamily Preservation & Revitalization Demo</u>

While RD vouchers are important, they are by no means a panacea to the larger problem of a dwindling affordable rental housing stock in rural America. Section 515 and 514 are critical to providing affordable rental housing in rural areas, but unfortunately they have been subject to severe funding cuts over the past several years. Since 1963, the USDA has helped provide affordable rental housing in rural areas by financing more than half a million rental units through Sections 515 and 514. While these loans were once primarily used to develop new affordable housing, with dwindling funds available they have been used almost exclusively for rehabilitation in recent years. The Multifamily Preservation & Revitalization Demonstration (MPR) also helps preserve and improve Section 515 and 514 properties through loan restructuring, including: grants for non-profits; no interest loans; and debt deferral. However, the funding levels for these programs in recent years are wholly insufficient to meet the growing need for capital to rehabilitate these aging properties. In 2004, the Comprehensive Property Assessment conducted for RHS found that the average age of Section 515 properties was 23 years, and that the 20-year cost of maintaining those projects will exceed $2 billion. These properties are now at an average of 33 years old and likely in need of twice as much funding for maintenance. **Therefore, we respectfully request that you provide $50 million for the Section 515 program, and $22 million for the MPR demonstration program for FY17.**

<u>Letters of Priority Entitlement</u>

Lastly, RHS currently issues Letters of Priority Entitlement (LOPEs) to some but not all residents who face displacement due to loan prepayment, loan maturation, or loss of subsidies. LOPEs grant holders receive 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 other housing. **To help ensure housing stability for residents who are potentially displaced from RHS housing, we request that the following language be inserted in the FY17 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, or loss of RHS or other subsidies. RHS shall also work with the Secretary of Housing and Urban Development to ensure that LOPEs are honored by HUD financed and subsidized developments."*

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