RURAL AMERICA CANNOT ADDRESS HOUSING NEEDS WITHOUT FEDERAL INVESTMENTS

Rural communities are among those most impacted by the nation's affordable rental housing crisis: lower wages, higher rates of poverty, unique barriers to housing development, and chronic underfunding of effective resources make housing construction difficult and rent unaffordable for many low-income rural households.

LOWER WAGES AND PERSISTENT POVERTY IN RURAL COMMUNITIES MAKE HOUSING HARDER TO AFFORD

Over 60 million people in the United States – nearly 1 in 5 people – call rural areas home. Rural households typically have lower incomes than their urban and suburban counterparts. Nationally, the median household income is $70,784, compared to the $59,000 median income in rural communities. More than one in five (22%) rural households report an annual income below $25,000 per year, compared to 18% nationwide. Renters in rural areas are typically paid lower wages than their homeowning neighbors: about 27% of rural households rent their homes, and over half of rural renters are paid less than $35,000 per year, compared to 25% of rural owners.

Poverty is also more persistent in rural communities. Of the 310 U.S. counties with high and persistent levels of poverty in 2019, 86% were rural and primarily concentrated in historically poor areas of the Mississippi Delta, Appalachia, the Black Belt, and colonias along the U.S./Mexico border, as well as on Native American lands. Like urban and suburban communities, deep racial disparities exist; Black and Native rural residents have the highest rates of poverty at 30.7% and 29.6%, respectively – double that of White residents (13.3%) – and non-White Hispanic residents have the third highest rural poverty rate at 21.7%.

Low wages push safe, stable rental housing out of reach for millions of people in rural communities. There is no state, metropolitan area, or county – including rural counties – in the U.S. in which a full-time, minimum-wage worker can afford a modest two-bedroom apartment at fair market rent without spending over 30% of their income on housing. An estimated 44% of rural renters spend over 30% of their income on rent, and half of these households pay over 50% of their income on rent. Spending such a significant percentage of an already limited income on rent makes it more difficult for households to afford other necessities, like transportation costs, medical care, and groceries, and virtually impossible to save for emergencies, college, or other priorities. As a result, these households are too often one broken-down car, unreimbursed medical bill, or missed day of work away from falling behind on rent and facing eviction.

RURAL AREAS FACE UNIQUE BARRIERS TO HOUSING DEVELOPMENT AND QUALITY HOMES

Rural communities face unique challenges to developing housing: meeting basic infrastructure needs in rural areas costs more, rural housing stock tends to be older and may need repairs, and small towns and rural counties have fewer resources to allocate to affordable housing development. These challenges, combined with the low incomes of rural residents, mean that rural renters often lack decent, safe, accessible, and affordable homes.

Affordable housing development and maintenance require a network of strong economic factors – access to credit, available lenders, accessible loans with reasonable terms, and local expertise and capacity to access available resources. A history of disinvestment in rural communities has made banking hard to access, and less competition allows for predatory and costly loans. The Housing Assistance Council found that in 2022, nearly 10 percent of rural mortgage originations were considered high-cost compared to 6.6 percent nationally, and lenders originated more than 105,000 high-cost loans in rural areas.

Maintaining quality affordable homes in rural areas is difficult as well. According to HUD's American Housing Survey (AHS), over 1.4 million, or 5.6%, of homes in rural areas are classified as "inadequate," and an estimated 368,000 of these homes are "severely inadequate," lacking in basic plumbing, heating, or electric/wiring, or in need of severe upkeep. With insufficient housing supply and low wages, rural renters are also more likely to experience overcrowding, defined typically as more than one person per room in a housing unit. An estimated 6.2% of rural renters experience overcrowding, with farmworkers experiencing incredibly high overcrowding rates (29.5%).

FEDERAL HOUSING INVESTMENTS IN RURAL AMERICA HAS BEEN SEVERELY UNDERFUNDED

HUD and the U.S. Department of Agriculture (USDA) are the primary federal departments serving the affordable housing, homelessness, and community development needs of rural areas. HUD serves low-income people across rural, suburban, and urban areas, while USDA's Rural Housing Service (RHS) exclusively serves rural residents and communities. While a smaller portion of HUD's budget goes to rural communities, HUD programs serve more rural households than USDA programs. Both agencies are critical partners for rural places seeking to address their affordable housing needs.

USDA's Section 515 Rural Rental Housing Loan Program (Section 515) provides subsidized, direct loans for the development of new affordable rental housing, or the rehabilitation of existing affordable rental housing units in rural areas. Despite the growing affordable housing needs of rural renters, Congress has cut Section 515 by more than 95% in the last three decades – from $954 million in 1982 to $60 million in 2024. Due to this underfunding, there has been no new construction of rural rental homes under the Section 515 program since 2012, and each year, thousands of rental homes leave the program due to obsolescence, disrepair, or properties aging out of their affordability requirements.

In 2016, USDA reported it would require $5.6 billion for capital housing rehabilitation needs over the next 20 years to preserve the quickly dwindling supply of affordable rental homes in USDA's portfolio. Without this funding, rural communities will lose what is sometimes their only source of affordable rental housing, leaving rural households without access to affordable homes.

Additionally, as rental properties reach maturity on their Section 515 loans, tenants lose access to rental assistance. By law, property owners are no longer required to meet affordability standards after their loan reaches maturity, and many rural property owners choose to convert their properties to market-rate housing or stop operating altogether. Thousands of Section 515 units are already being lost to loan maturities and prepayments each year. USDA estimated that an average of 80 rental properties will be lost annually due to maturing mortgages between 2022 and 2028, and more than 550 rental properties will be lost each year between 2028 and 2040.

SOLUTIONS TO THE AFFORDABLE HOUSING CRISIS IN RURAL AMERICA

The affordable housing crisis in rural communities is primarily caused by Congress' failure to invest in proven solutions at the scale needed. Congress must expand housing investments to ensure that the lowest-income and most marginalized households – in rural, suburban, and urban communities alike – have an affordable, accessible home. Greater investments would also make it easier for rural towns to attract private-sector capital and other investments that help local economies grow and residents thrive.

To address the affordable housing crisis in rural America, Congress should:

- **Bridge the gap between incomes and housing costs by ensuring rental assistance is universally available to all eligible households.** Currently, only one in four eligible households receive any assistance because of chronic underfunding by Congress. This leaves most households to fend for themselves and make impossible tradeoffs between paying rent and meeting their other basic needs.
- **Build more rental homes affordable to households with the lowest incomes by:**
    - Expanding investments in the national Housing Trust Fund (HTF) to build more homes affordable to rural residents with the greatest needs, including extremely low-income seniors, people with disabilities, families with children, veterans, and other individuals. The HTF is the most deeply targeted federal housing production program.
    - Increasing appropriations for the multifamily housing programs at USDA's Rural Housing Service, to allow for both the preservation of the existing multifamily portfolio and the construction of new units.
    - Enacting the bipartisan Rural Housing Service Reform Act (S.2790 and H.R.6785 in the 118th Congress) from Senator Tina Smith (D-MN), Senator Mike Rounds (R-SD), Representative Emanuel Cleaver (D-MO), and Representative Blaine Luetkemeyer (R-MO). The bill would make several improvements to housing programs administered by USDA, including permanently authorizing the Multifamily Housing Preservation and Revitalization (MPR) demonstration and ensuring continued access to rental assistance by low-income rural tenants.
    - Enacting reforms in the bipartisan Affordable Housing Credit Improvement Act (S.1557, H.R.3238 in the 118th Congress). This bill includes reforms to make it more financially feasible to build or preserve affordable rental homes in rural and Tribal areas. By designating rural and Tribal communities as "difficult to develop," the bill would allow developers to access an automatic 30% basis boost for building rental homes in these communities.

- **Strengthen and enforce renter protections to address the power imbalance between landlords and renters that put renters at greater risk of housing insecurity.** Congress should enact tenant protections, such as those included in the National Tenants Bill of Rights published by NLIHC, the National Housing Law Project, and the Tenant Union Federation. These protections would support renters in rural communities by strengthening the right to organize, creating more transparency around property ownership, and increasing accountability measures for basic housing quality standards.

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