



Council for Affordable and Rural Housing

July 7, 2015

Chairman Harold Rogers
House Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Ranking Member Nita Lowey
House Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Rogers and Ranking Member Lowey,

The National Housing Trust, the National Housing Law Project, the Housing Assistance Council, and the Council for Affordable Rural Housing ask the House Committee on Appropriations to modify the Fiscal Year (FY) 2016 appropriations bill approved by the Subcommittee on Agriculture, Rural Development, Food and Drug Administration by taking the following urgent actions:

- Extend eligibility for Rural Development (RD) vouchers to households that are living in U.S. Department of Agriculture (USDA) financed rural rental and farm labor developments with mortgages that are maturing or have matured.
- Increase funding for the RD Voucher Program to \$27 million.
- Reject the Administration's proposal to preclude the renewal of Rental Assistance (RA) Contracts within the 12 month contract term.
- Adopt report language directing RD to issue Letters of Priority Entitlement (LOPEs) to residents of RD rental housing who are threatened with displacement due to maturing RD loans.

These provisions are necessary to protect the residents of RD rental housing, nearly 60 percent of whom are elderly or disabled. Without the requested modifications, the current terms of the RD Voucher and RA programs will have dire consequences for these households. Detailed support for our requests follows.

Extension of RD Voucher Program Eligibility

In the next 10 years, nearly 75 percent of the RD loans that financed the construction of all rural rental and farm labor housing developments will mature. When this occurs, these developments will lose their RA subsidies for low- and very low-income residents. Over 300,000 households, or 600,000 individuals, will be adversely affected by this loss of subsidy upon loan maturation and at risk of displacement because of rising rents. Nearly 60 percent of these households are headed by persons who are over the age of 62 or have a disability.

One way to assist these households after RA is terminated would be to provide RD vouchers that would enable them to remain in their homes or move to other housing in the community. Unfortunately, RD cannot extend vouchers to households displaced due to maturing mortgages because the current appropriations bill limits their issuance to persons who are threatened by displacement due to loan prepayments.

The USDA Budget for FY 2016 requests the authority to issue vouchers to persons who are threatened with displacement due to loan maturation. We support this proposal and urge the full committee to adopt it. We do not support the Administration's request to exercise discretion over which residents receive a voucher is needed or warranted, however. We urge you to reject this provision.

Increase Funding for the Rural Voucher Program

The Administration has requested \$15 million for the Rural Voucher program in FY 2016. This is the level at which the program is currently operating, with \$7 million coming from FY 2015 appropriations and \$8 million from FY 2014 carry-over funding. The Subcommittee only approved \$7 million in funding for the Rural Voucher program for FY 2016. This is \$8 million less than what is needed to renew currently outstanding vouchers. In other words, nearly 50 percent of households currently holding vouchers will lose them. These households will face extreme hardship and probably homelessness.

Based on available data, we believe that current demand for new and existing vouchers will require \$27 million in FY 2016. We therefore urge that, at the very least, the full Committee fund the program at the current \$15 million. Any lesser amount will cause residents, many of whom are elderly and living on fixed incomes, to be displaced and become homeless. We therefore urgently request that the committee increase the voucher program funding above the \$7 million adopted by the subcommittee.

Reject the Administration's Request to Restrict the Renewal of RA Contracts to a 12 Month Term

In FY 2015, Congress accepted USDA's request for authority to limit the renewal of RA contracts to a 12 month contract term. USDA repeated this request in its FY 2016 Budget Request. Contrary to the agency's expectations, this provision has caused problems with the administration of the RA program over the past year. We understand that this policy has caused over 40 RA contracts and 700 units of RD rental housing to run out of RA funding due to no fault of the owner operator. RD has had to find various ways to limit the displacement of residents from these developments due to its inability to renew the RA contracts in less than 12 months. This was not the intent of the provision under which the agency is operating in this fiscal year.

More significantly, this provision is not needed in FY 2016. This is because RD is modifying the methodology it uses to calculate the amount of funds needed to operate a RA contract over a 12 month term. As a result, practically all RA contracts will receive precisely the amount necessary to operate the development and there is no need to continue the restriction on the renewal of RA contracts within 12 months. Removing this provision will not have a budgetary impact, therefore we urge the committee to reject the extension of this provision in FY 2016.

Adopt Report Language Directing RD to Issue Letters of Priority Entitlement (LOPEs) to Persons Displaced Due to Loan Maturity

RD currently is issuing LOPEs to persons who are displaced from RD rental housing because owners are prepaying their RD loans. LOPEs grant displaced persons priority admission to other RD developments and help them to avoid hardship and potential homelessness.

RD officials have rejected requests to extend LOPEs to persons displaced by the maturation of an RD rental housing loan. The only reason RD has advanced for its position is that persons displaced by a loan maturity “are not displaced.” This reason does not make sense, as persons displaced by loan maturity are no different than persons displaced by prepayment.

Report language directing RD to extend LOPEs to persons displaced by loan maturation will not have any budgetary impact. We therefore request that appropriate language be included in the House and Senate Reports accompanying the FY 2016 appropriations bill, directing RD to change its position.

Thank you for your consideration. Should you need additional information with respect to these actions, please contact Gideon Anders at the National Housing Law Project (ganders@nhlp.org) or Ellen Lurie Hoffman at the National Housing Trust (eluriehoffman@nhtinc.org).

Sincerely,

National Housing Law Project
National Housing Trust
Housing Assistance Council
Council for Affordable and Rural Housing

Cc: Representative Rodney Frelinghuysen
Representative Robert Aderholt
Representative Kay Granger
Representative Michael Simpson
Representative John Abney Culberson
Representative Ander Crenshaw
Representative John Carter
Representative Ken Calvert
Representative Tom Cole
Representative Mario Diaz-Balart
Representative Charles Dent
Representative Tom Graves
Representative Kevin Yoder
Representative Steve Womack
Representative Jeff Fortenberry
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Representative Martha Roby
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Representative Henry Cuellar
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Representative Mike Quigley
Representative Mike Kilmer