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July 7, 2015

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Dodaro:

Section 515 of the Housing Act of 1949 is an important source of financing for rental housing in rural areas. Under Section 515, non-profit and for-profit entities can receive one-percent loans for acquisition, rehabilitation or construction of rental housing and related facilities. When the Section 515 began in the early 1960's, loans were generally made for 40 years, but the loan terms can range from 30 to 50 years. Most Section 515 loans have gone to for-profit developers, who combine the subsidized loan with rental assistance and tax subsidies to finance housing. Over 400,000 low-income families and elderly households live in rental housing financed under Section 515.

Section 514 of the Housing Act of 1949 is the principal source of financing for farm labor housing, providing direct loans for on-farm and off-farm labor housing. The farm labor housing program also began in the early 1960's. In 2014, the farm labor program had over 600 active properties with more than 16,800 units in 40 states. Loan terms are 33 years.

Section 515 and 514 owners' commitments to keep properties affordable to low-income households end when their mortgages mature. In addition, the rental assistance contracts typically required to keep the rents affordable expire when the property mortgage matures. Although the U.S. Department of Agriculture (USDA) has tools for extending rental assistance in order to keep the properties low-income, developers have shown frustration with USDA's preservation process and may opt to leave the program if economically feasible. At the same time, USDA

faces ongoing challenges in effectively administering its rental assistance program, even for owners of properties whose mortgages are not maturing. Given these challenges and the significant federal investment in section 515 and 514 properties that are in imminent danger of losing their affordability requirements, we would like the Government Accountability Office (GAO) to report on the following questions:


- What is the total number of Section 515 and 514 mortgages that will be maturing over the next 10 years disaggregated by month and year of maturity and by county and state?
- How and when can USDA make project level information available to the general public?
- How is USDA estimating the number of properties and low-income units that are expected to lose their affordability requirements?
- What are the characteristics of projects where owners are likely to be willing to extend their mortgages prior to maturity and those that owners will not be willing to do so?
- What percentage of developments/units are in need of substantial rehabilitation such that USDA would not be willing to extend their mortgages or only extend them for a short period?
- What are the potential impacts on tenants living in projects where mortgage maturities occur?
- What is USDA's current strategy for preserving properties identified as most likely to leave and is USDA accounting for factors such as property marketability and rehabilitation needs in its estimates?
- To what extent would decoupling rental assistance from the Section 515 program help preserve affordable housing units?
- What procedures does USDA have in place to simplify the preservation process, including extending rental assistance contracts?
- What is the current voucher utilization rate in Section 515 projects prepaying their loans?
- What funding would be necessary for the voucher program to maintain affordability of units located in properties whose loans are projected to mature over the next ten years?
- How does USDA's process for preserving the affordability of properties with maturing mortgages compare to those of the Department of Housing and Urban Development (HUD) for preserving affordability of properties with maturing HUD-financed mortgages?

- What does GAO recommend that can help USDA improve the efficiency and effectiveness of the mortgage maturation identification and preservation process?
- How can USDA more effectively manage its rental assistance program?

We realize that this request encompasses a broad range of issues and that multiple GAO engagements may be required to address them. If you have any questions, please do not hesitate to contact Patrick Carroll or Bob Ross on our staffs.

Thank you for your cooperation and attention to this matter.

Sincerely,



Jerry Moran
Chairman
Subcommittee on Agriculture, Rural
Development, Food and Drug
Administration and Related Agencies



Jeffrey A. Merkley
Ranking Member
Subcommittee on Agriculture, Rural
Development, Food and Drug
Administration and Related Agencies