

NATIONAL RURAL HOUSING COALITION

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SUPPORT THE RURAL RECOVERY: PROTECT CRITICAL USDA HOUSING FUNDING

Fiscal Year 2012 Administration budget for the Rural Housing Service proposes a reduction in Section 502 direct loans from \$1.12 billion to \$200 million and elimination of the Mutual and Self-Help Housing program. These programs have been the bedrock of the long time effort to improve housing conditions in rural America. Without these programs, USDA will be largely out of the business of providing affordable housing for low income families and improving housing conditions in smaller, poorer rural communities.

Key Facts – Section 502

- Over 60% of direct loan borrowers have incomes that do not exceed 60% of area median income. As a result, the families participating in section 502 direct loans are the lowest income borrowers of any federal home ownership program;
- Between Fiscal 2003-10, appropriations for budget authority necessary to support approximately \$1.12 billion in Section 502 Direct Loans fell from \$203 million to \$45 million. During this period, Congress and the Administration maintained the lending level at \$1.12 billion, but the number of loans made under Section 502 fell from 14,600 in FY 03 to less than 10,000 in FY 10, excluding Recovery Act appropriations.
- It is important to note the cost efficiency of section 502 direct loans. In FY 10, approximately 10,000 loans were made through section 502 direct. At a budget cost of \$45 million, the average cost per loan was \$4,500. This is the total cost to the government and sharply contrasts with other programs such as Section 8 that have annual costs in excess of that total cost for a section 502 loan;
- It is also important to compare the decreasing appropriations to the backlog of applications that regularly totals over 25,000 loans and over \$2 billion. The current backlog for Section 502 Direct Loans exceeds \$2.1 billion (as of 9/30/10); and
- Despite serving the poorest homeowners in the federal system, the portfolio of Section 502 direct loans is in very good shape with a foreclosure rate of just over 4%.

Key Facts – Self Help Housing

- Self-Help Housing makes homeownership affordable by enabling low income families to build their own homes. Section 523 Mutual and Self-Help Technical Assistance Grants are made to qualified nonprofit and local government organizations to provide technical assistance to families who are building homes in rural areas in conjunction with the Section 502 loan program. The grant funds are used to cover the cost of pre-purchase homebuyer education, Section 502 loan packaging and construction supervision;

- Over 100 organizations in 37 states participate in the Self-Help Housing program. These organizations support groups of eight to 12 self-help families who construct each other's homes, and perform 65 percent of the construction labor. Through this "sweat equity," each homeowner earns equity in his or her home, decreasing the cost burden and investing in the community; and
- Over the last three years, self help housing organizations have constructed some 3,500 units of self help housing. While providing the opportunity for home ownership is the principal benefit of self help housing, there are other, substantial community impacts. Based on estimates from the National Association of Home Builders the 3,500 self help homes constructed in rural America account for over 11,000 jobs and over \$738 million in local income and \$77 million in taxes and revenue.

FY 12 Request – Restore Rural Housing Programs:

- Provide \$1.12 billion for section 502 direct loans;
- Provide \$37 million for mutual and self help housing grants.

These amounts are the same as HR 1, The Continuing Resolution Act, as passed by the House of Representatives.