

RURAL DEVELOPMENT

**Statement of Tammye Treviño, Administrator, Rural Housing Service
United States Department of Agriculture
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies**

Chairman Kingston, Ranking Member Farr and Members of the Subcommittee, thank you for this opportunity to present the President's Fiscal Year (FY) 2012 Budget for the Department of Agriculture's (USDA) Rural Housing Service.

Overview

As an integral part of Rural Development, this year the Rural Housing Service (RHS) will help nearly 170,000 rural American families become homeowners; provide safe, decent affordable rental housing to 460,000 individuals; and provide financing to assist over 1,000 small communities develop essential community buildings and equipment.

The proposed budget for the Rural Housing Service in FY 2012 requests total budget authority of \$1.03 billion, supporting a program level of approximately \$26.3 billion in loans, loan guarantees, grants, and technical assistance. The FY 2012 budget has targeted resources to programs that are most needed and most effective in rural communities.

The FY 2012 budget for Rural Development's RHS programs assists in USDA's efforts to help rural America out-build, out-educate and out-innovate our global competitors, while making the tough choices necessary to address responsibly the Nation's budget deficit. The budget request proposes an increase to the program level for the Single Family Housing Guaranteed program from the \$12 billion 2010 enacted level to \$24 billion. This level of funding is supported by a fee structure that eliminates the need for budget authority. This level of support will assist more low- and moderate- income rural families than ever to own their own home. Moreover, to help rural America win the future, this budget includes targeted investments and program increases to lay the foundation for long-term job creation and economic competitiveness in rural America.

The FY 2012 budget proposes to more than triple another budget neutral program – the Community Facilities direct loan program - that will require no subsidy budget authority. This increased program level will enable hundreds of rural communities to build and repair hospitals, libraries, schools, roads, and other essential facilities. All told, this budget takes important steps to grow the economy while focusing on responsible deficit reduction.

Single Family Housing Programs

The Single Family Housing (SFH) programs provide opportunities for rural Americans with very low- to moderate-incomes to purchase homes. The proposed \$24 billion program level for the SFH Section 502 loan guarantee is anticipated to fully meet demand. For FY 2011 and FY 2012 the program has a negative subsidy rate because of a low and stable default rate coupled with increased program fees. The 2012 fee structure will be a 2 percent up-front fee and an annual fee of 0.3 percent. Single family housing direct loans and housing repair grants are both funded at

significantly reduced levels for 2012, reflecting the change in direction of the Department of Agriculture (USDA) single family housing assistance programs: to provide single family housing assistance primarily through loan guarantees. The \$24 billion guaranteed loan level allows USDA's Rural Housing Service (RHS) to provide more assistance for single family housing in rural areas than has ever been provided with all the other RHS housing programs combined.

The collapse in the housing market caused a reduction in lender confidence, which has increased demand for the SFH guaranteed program. Currently, approximately 2,000 lenders participate in the program. The low home mortgage interest rate environment has enabled the guaranteed rural housing program to serve low-income families who may have previously looked to our SFH direct loan program for assistance.

Recognizing that an unserved need continues to exist for very low-income families, the single family housing direct loan program's reduced funding level will be \$211 million and will be targeted to very low-income applicants.

Housing Loan and Grant Programs

The FY 2012 Budget limits or eliminates funding to some very small loan and grant programs to allow the agency to focus on the programs that most effectively achieve USDA's housing goals through higher loan volumes. USDA will provide approximately 2,000 grants to very-low income, elderly, rural homeowners in order to make essential repairs to their homes to make

them safe and to remove health hazards through the SFH Housing Repair grant program. This program is designed to help the most vulnerable residents in rural America.

Smaller and more labor intensive programs that are not proposed for funding include housing repair loans, self-help housing grants, housing assistance grants, and loans to deal with inventory property referred to as “credit sales.” This shift in the focus of program delivery will make USDA leaner, more efficient and will help the agency streamline operations and deliver results at a lower cost for the American people.

Multi-Family Housing Programs

The Multi-Family Housing (MFH) budget continues Rural Development’s commitment to providing affordable housing options to the poorest of the poor in rural America. Our existing portfolio provides decent, safe, sanitary, and affordable residences for about 460,000 tenant households. The total program level request for Multi-Family Housing programs is \$1.06 billion, \$907 million of which is allotted for MFH Rental Assistance contract renewals. The requested rental assistance is sufficient to accommodate the expected 204,503 rental assistance contracts that will renew.

While the FY 2012 budget request proposes to terminate funding for the MFH Revitalization Demonstration Program, it proposes to increase the MFH direct loan program from a program level of \$69.5 million to \$95 million, ensuring that more affordable rental housing opportunities are created for the very-low income tenant base in rural America. The direct loan program can be used for repair and rehabilitation as well as new construction. So the increase in funding

should allow property owners to continue to finance revitalization efforts even without the demonstration program.

The FY 2012 budget request proposes \$16 million for the Rural Housing Voucher Program. The voucher funding will be used to offset some of the reductions in rental assistance. If a MFH property offering rental assistance leaves the portfolio, vouchers will be offered to all low-income tenants that presently receive rental assistance.

The FY 2012 budget request for MFH Section 514/516 Farm Labor Housing is approximately \$37.2 million in program level funding.

Community Programs

The Community Facilities (CF) budget request will provide financing for the construction and improvement of essential community facilities across rural America, including schools, libraries, hospitals, clinics, child care centers, and public safety facilities. The President's 2012 Budget proposes to increase the CF direct loan program from \$295 million in FY 2010 to \$1 billion in FY 2012. The performance of these loans coupled with the current economic assumptions projecting loan interest rates have made the subsidy cost for this program negative for 2012. The demand for the Community Facilities direct loan program is high across rural America, as communities come together to modernize critical infrastructure that is vital to improving rural health and educational outcomes and spur sustained job creation and economic growth.

The budget proposes the elimination of the CF guaranteed loan program. This program originated as an inexpensive alternative to the direct loan program, designed to stimulate additional assistance to moderate income communities in rural areas. However, the defaults in the program have been much higher than originally projected, making it more expensive than the direct loan program. The proposed increase in the direct loan program will more than make up the effects of ending the guaranteed loan program.

In FY 2010, we invested over \$120 million in regular CF funding in 209 educational and cultural facilities serving a population totaling more than 2.6 million rural residents; over \$84 million in 550 public safety facilities serving a population totaling more than 2.8 million rural residents; and over \$455 million in 124 health care facilities serving a population totaling more than 2.1 million rural residents. The remaining balance was used for other essential community facilities such as food banks and other food security projects, community centers, early storm warning systems, child care centers, and homeless shelters.

Conclusion

Through this budget, and the continued commitment of President Obama, rural Americans will have the tools and opportunities they can put to work to improve both their lives and their communities. We recognize that we cannot do this alone and will continue to identify and work with partners to improve the lives of rural residents.

I would like to thank each of you for your support of the rural housing and community facilities programs' efforts. I look forward to working with you in moving the FY 2012 Budget forward.