

NACEDA Policy Paper: Rural Community Development

March 2007

Background

There are several rural programs in the area of affordable housing and community development that are critical to the revitalization and economic viability of NACEDA's rural members. Over the past few years, there have been many attempts to dramatically reduce funding for these programs or even entirely eliminate some programs.

Funding Initiatives:

Section 515 Rental Direct Housing: Should be funded in FY 2008 at least at FY 2007 level adjusted for cost so that at least as many units are produced as in 2007.

Additionally, there needs to be continued funding for current preservation initiatives including USDA's preservation demonstration program (\$9 million) and its preservation revolving loan fund (\$3 million), as well as funding for vouchers to protect tenants against rent increases (\$16 million).

Section 502 Single Family Direct Loan Programs: Support at least FY 2007 funding level adjusted for cost for Section 502 direct loans in FY 2008. NACEDA opposes the Administration plans to propose a new subsidized guarantee program to help the lowest-income buyers, and believes such a program should be in place before elimination of the Section 502 direct loan program is considered.

Section 523 Self-Help TA Program: We support the appropriation of at the FY 2007 for Section 523, the amount needed to renew grants for all performing organizations whose current funding expires in 2007 and 2008.

Section 504 Very Low Income Repair Program: We support the appropriation of at least \$35 million adjusted to cost, which would keep the funding level from 2007.

Rural Development Utilities and Business Programs: We support funding at the 2007 level of \$450 million which would restore water and waste water grants.

Community Facilities Programs: The administration is proposing \$302 million in direct community facility guaranteed loan program and \$210 million in loan guarantees. However, the administration zeroed out the grant program. NACEDA supports funding the grant program at \$50 million.

New Legislative Initiatives

Rural Rental Preservation: The Saving America's Rural Housing Act of 2006, H.R. 5039, passed the House Financial Services Committee in the last Congress. H.R. 5039 would have lifted existing restrictions on prepayments of Section 515 mortgages, provided vouchers to tenants in prepaying developments, and created a program to revitalize Section 515 properties. Advocates opposed removal of existing prepayment restrictions, and are hopeful that a new bill, expected to be introduced this year, will not

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include that provision. Additionally, through the appropriations process, we also support full funding for the preservation programs such as the Rural Preservation Demonstration and the Rural Preservation Revolving Loan.

HUD Rural Housing and Economic Development Program (RHED): In the last Congress Rep. Rubén Hinojosa introduced H.R. 6044, the Rural Housing and Economic Development Improvement Act of 2006, to authorize HUD's Rural Housing and Economic Development (RHED) program. Rep. Hinojosa is expected to reintroduce the bill in the current Congress. NACEDA supports the authorization of RHED program. It is an important resource for rural affordable housing organizations, providing scarce federal capacity building and project funding directly to organizations serving small rural communities. Congress has funded the program every year since FY 1999, despite Administration proposals (repeated in the FY 2008 budget) to eliminate it.

New Markets Tax Credits: Reauthorize the program. Change CDFI funds to be more accessible and easily applied to rural census tracts. Also, we urge the agency to be more sensitive to rural requests, which are often smaller.