

April 26, 2024

Honorable Patrick McHenry  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Honorable Warren Davidson  
Chairman  
Subcommittee on Housing and Insurance  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Honorable Emanuel Cleaver, II  
Ranking Member  
Subcommittee on Housing and Insurance  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman McHenry, Chairman Davidson, Ranking Member Waters, and Ranking Member Cleaver:

The undersigned organizations are writing to express our support for H.R. 6785, the Rural Housing Service Reform Act of 2023, legislation introduced by Representatives Luetkemeyer and Cleaver, which would provide for structural improvements for several programs administered by the United States Department of Agriculture's Rural Development (RD) agency. Specifically, the legislation would allow for the decoupling of the Section 521 Rental Assistance (RA) program when the Section 515 mortgage loan expires. While RD has been given authority in Fiscal Year (FY) 2024 to implement a demonstration program for 1,000 units in properties where a mortgage will expire, H.R. 6785, would permanently allow decoupling and allow RA to continue on the properties, preserving an important source of housing for low-income residents in rural communities throughout the country.

The decoupling of the 521 RA is vital to preserving RD's affordable housing portfolio because when a Section 515 mortgage ends, whether through prepayment or foreclosure or maturity, Section 521 RA also ends, exposing below-market residents to market rents and turning assisted properties into market-rate properties. In 300 counties, Section 515 properties are the majority of project-based federally subsidized units and 90% of all Section 515 properties are in counties with persistent poverty. According to RD, approximately 77 properties with 1,759 units are maturing out of the mortgage programs over the next 18-24 months, and that number will only significantly increase past 2027. Furthermore, over the next decade, as many as three-quarters of all Section 515 mortgages will mature, and with it the end of related Section 521 RA contracts, stranding approximately 250,000 families and elderly persons and leaving them without the ability to house themselves.

There is almost no budget authority to replace these mortgages. In FY 2024, \$60 million was appropriated towards an estimated annual preservation cost of \$1 billion. Due to the lack of affordable housing in rural communities, the maturity of a Section 515 project can result in a tenant needing to leave their local community to find new affordable housing which may be many miles away or even out of the state. The existing rural multifamily programs were never intended as a one-time capitalization for low-income housing. The original intent was to allow properties to refinance out of the program and provide a market centric nucleus of decent housing in rural areas. In fact, USDA originally required owners to refinance out of the program at the first opportunity. However, the

federal government changed the laws, rules, and basic operations when it changed the federal tax code, withdrew prepayment rights, and reduced Section 515 funding without any replacement mechanism. Maturing mortgages have overtaken prepayments as the most pressing issue impacting the existing portfolio.

The lack of affordable housing in many rural communities reflects the lack of investment in these localities more broadly. Rural renters are more than twice as likely to live in substandard housing compared to people who own their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. The adverse effects of housing instability on the education and health of this country's greatest asset – our children – have been well documented. Neither the private nor the public sector can produce affordable rural housing independently of the other; it needs to be a partnership.

On behalf of our respective members, we would ask for your support for H.R. 6785 and urge the Financial Services Committee to hold a hearing and then schedule a mark-up on this important rural housing legislation before the end of May. In addition to the decoupling provision, there are provisions in H.R. 6785 that would facilitate much needed improvements in RD's housing technology and also allow for hiring of needed staff to implement this new preservation program.

Thank you for your attention to this important matter. If you or your staff have any questions concerning H.R. 6785, please feel free to contact Colleen M. Fisher, CARH Executive Director, at [cfisher@carh.org](mailto:cfisher@carh.org).

Sincerely,

Council for Affordable and Rural Housing  
Enterprise Community Partners  
Housing Assistance Council  
Institute of Real Estate Management  
LeadingAge  
Local Initiatives Support Corporation  
Mortgage Bankers Association  
National Affordable Housing Management Association  
National American Indian Housing Council  
National Apartment Association  
National Association of Home Builders  
National Council of State Housing Agencies  
National Housing Law Project  
National Leased Housing Association  
National Low Income Housing Coalition  
National Multi Family Housing Council

cc: Members of the House Subcommittee on Housing and Insurance