



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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Statement of the National Association of REALTORS®

to the House Agriculture Subcommittee on Conservation, Credit, Energy, and Research

Hearing on the Availability of Credit in Rural America

March 27, 2007

The NATIONAL ASSOCIATION OF REALTORS® represents a wide variety of housing industry professionals committed to developing and preserving the nation's housing stock and making it available to the widest range of potential homebuyers. The Association has a long tradition of support for innovative and effective Federal housing programs and we work diligently with the Committee and the Congress to fashion housing policies that ensure Federal housing programs meet their mission responsibly and efficiently.

Access to safe, fair and affordable mortgage credit is important to all Americans, but the need is especially dire in rural areas. Nearly 20% of the U.S. population lives in non-metropolitan areas. Housing conditions in rural areas are generally worse than in urban or suburban neighborhoods. Federal rural housing programs are instrumental in providing affordable housing opportunities to low- and moderate-income rural homebuyers. The National Association of REALTORS® supports a long-overdue increase in the population cap for areas that can be served by the Farm Credit System.

The Farm Credit System and its network of customer-owned lending institutions were created by Congress more than 90 years ago, to make much-needed credit available to America's farmers, ranchers, producers and harvesters of aquatic products, their cooperatives, and farm-related businesses. Consistent with their mission, Farm Credit System institutions also make loans to help finance home purchases in rural areas.

The Farm Credit Act of 1971 (12 U.S.C. 2019) limits the size of towns whose residents can be served by Farm Credit System for the purposes of financing purchases of homes to those with populations of 2,500 or fewer. While this limit may have been adequate to address the needs of rural residents and businesses in 1971, the nature of rural America has changed considerably since that time. In 2002 Congress changed the definition of "rural" in the Consolidated Farm and Rural Development Act to apply to communities that have a population of less than 50,000 and are not suburbs of an urban city or town. However, this definition was not extended to the Farm Credit System's home loan program.

Many agriculturally-related businesses are located in towns with populations in the 2,500 to 50,000 population range and are no longer located on or adjacent to farmland as was once the case. According to the 2000 federal census, more than 5,800 of these towns and small cities are located throughout America. The Farm Credit System is currently unable to serve the needs of potential borrowers who are located in these areas.

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Housing finance constitutes a small (but important) portion of the business of the Farm Credit System institutions' lending activity. By statute, home loans cannot represent more than 15% of the Farm Credit portfolio. In 2005, loans to purchase homes totaled \$2.9 billion. Although a small factor in our nation's trillion dollar housing finance system, it is vital for those families in rural America who otherwise would be denied an opportunity to realize the American dream of home ownership because of a lack of readily-available, reasonably-priced credit. We encourage Congress to support a long-overdue increase in the population cap to 50,000 for areas that can be served by the Farm Credit System's home loan program.

In closing, the National Association of REALTORS® appreciates this opportunity to comment on the needs for mortgage credit in rural areas. Many of our rural citizens face a serious housing crisis. All but 11 of the 200 counties with the highest poverty rates in America are rural, and housing assistance for these areas is sorely needed. We thank the Subcommittee for its attention to the needs of rural communities, and we urge your support of changes to the Farm Credit System that will provide rural homebuyers safe, fair and affordable access to credit.