NAR Issue Brief
Rural Housing and the 2010 Census

Issue: Under current law, the United States Department of Agriculture (USDA) must revise the list of communities eligible for Rural Housing Service (RHS) Section 502 loans based on the 2010 census data. Unless Congress intervenes, USDA will soon begin using a definition not updated since 1974 which requires eligible communities to: 1) be outside of a metropolitan statistical area (MSA), 2) be "rural in character", 3) have a serious lack of mortgage credit, and 4) have a population under 20,000.

Background: Rural families face unique difficulties in finding access to safe, affordable mortgage financing. Programs like the Rural Housing Section 502 loan program are instrumental in providing opportunities for homeownership for these families. Section 502 loans can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. These loans are funded by private lenders, and simply insured by the RHS. The Section 502 program is self-funded and budget neutral, meaning that broadening the population definition will not place additional financial burden on American taxpayers. In 2011, the RHS helped nearly 140,000 rural American families become homeowners.

Why is this important?

- Using the 2010 Census data and a decades old definition will mean that more than 900 communities are at risk of losing their eligibility for rural housing loans.
- The RHS rural population cap of 20,000 has not been updated in 38 years. Communities and populations have changed in that time. Relying on a decades old definition is unrealistic and doesn't meet the needs of today's rural communities.
- The federal Office of Management and Budget continues to include more and more areas into our Metropolitan Statistical Area (MSA) determination. Simply being part of an MSA disqualifies a community – regardless of population – from eligibility. Given changing demographic trends, this is unrealistic.
- Congress has grandfathered communities under this program routinely since 1980.
- Grandfathering currently eligible communities or increasing the population cap will have NO federal budget impacts. These programs are self-sufficient, i.e. funded by premiums paid by RHS borrowers. Grandfathering current communities will simply allow those already eligible communities to retain their eligibility and does not expand the program in any way.
- Now is NOT the time to reduce credit availability to struggling communities.

What has NAR done?

- NAR has had many meetings and sent a number of letters to the Committees and Leadership of the House and Senate, urging them to provide this extension.
- NAR joined in a coalition of other real estate groups and rural housing advocates to urge Congress to act on this issue.
- In August, FPCs were urged to contact their Member of Congress to ask for their support.
- NAR has worked closely with bill champions to push for legislation.

Status:

- Senate Farm Bill (S. 2340) includes Senators Nelson (D-NE) and Johanns (R-NE) amendment to grandfather currently eligible communities and increase the existing rural community population cap to 35,000. This amendment passed on a voice vote, with no opposition.

- Senate Agriculture Appropriations bill includes a one-year grandfathering clause.
- Rep. Fortenberry (R-NE) has introduced a bill, HR 273, to grandfather communities through the next census.
- The RHS published a notice delaying implementation of the 2010 Census data through March 27, 2013.

Congressional Ask:
Pass legislation to provide a ten-year extension to the eligibility of existing communities for programs of the Rural Housing Service.