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Shannon McGahn
Senior Vice President Government Affairs

500 New Jersey Avenue, NW
Washington, DC 20001-2020
Phone 202-383-1194
WWW.NAR.REALTOR

February 27, 2019

The Honorable Colin C. Peterson
Chairman
U.S. House Committee on Agriculture
2204 Rayburn House Office Building
Washington, DC 20515

The Honorable Mike Conaway
Ranking Member
U.S. House Committee on Agriculture
2469 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Peterson and Ranking Member Conaway:

Thank you for holding this hearing on “The State of the Rural Economy”. Nearly 20 percent of the U.S. population lives in rural areas or small towns and nearly all of the counties with the highest poverty rates in America are rural. The National Association of REALTORS® (NAR) recognizes the uniqueness of rural communities and the key role that housing plays in building strong communities. Specialized programs, like those of the Rural Housing Service, are critical to meeting the needs of Americans living in rural areas.

The Rural Housing Service (RHS) provides opportunities for homeownership for thousands of rural families nationwide. In FY 2017, the USDA obligated more than 130,000 guaranteed loans, and more than 7,000 direct loans. These programs provided critical access to housing for low-income rural families. The 502 program includes guaranteed and direct home mortgage loans. 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.

The direct loan program serves low- and very-low-income applicants obtain decent, safe and sanitary housing in eligible rural areas. The program provides payment assistance to families who have no other housing or way to get home financing. Direct loans reduce the mortgage payment for a short time, based upon family income, in order to get the family into safe, decent, affordable housing. These subsidies are repaid when the home is sold. The guaranteed loans are funded by private lenders and insured by the RHS; and provide significant benefit to low income families who need to find decent housing. Multifamily properties are scarce in many rural communities, so homeownership is often their only option.

Congress gave RHS authority to approve direct endorsed lenders in 2017. Both FHA and VA already use this method of endorsement. However, RHS has not yet enacted this authority. Had they, nearly 10,000 borrowers would not have found their loan closing in jeopardy due to the government shutdown. We urge USDA to implement the authority provided by Congress, and create great efficiencies for the RHS and for homebuyers.

Rural communities deserve special attention. I thank you for holding this hearing, and look forward to working with you to ensure the needs of rural families are met.

Sincerely,

John Smaby
2019 President, National Association of REALTORS®



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