

Rural Housing and the 2010 Census

Issue: Under current law, the United States Department of Agriculture (USDA) has until October 1, 2012 to revise the list of communities eligible for rural housing loans based on the 2010 census data. By that date, USDA will revert to using a definition not updated since 1974 which requires communities to: 1) be outside of a metropolitan statistical area (MSA), 2) be “rural in character”, 2) have a serious lack of mortgage credit, and 3) 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?

- More than 900 communities are now at risk of losing their eligibility for rural housing loans.
- The population requirement (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 won't meet the needs of rural communities.
- OMB 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.
- Grandfathering the communities (and increasing the threshold) will have NO federal budget impact. These programs are self-sufficient (through premiums paid by borrowers) and the grandfathering clause will simply retain eligibility and not expand the program in any way.
- Congress has grandfathered communities under this program routinely since 1980.
- Now is NOT the time to reduce credit availability to struggling communities.

Status:

- Senate Agriculture Appropriations bill includes a one-year grandfathering clause.
- Senate Farm Bill (S. 2340) includes the text of Senators Nelson (D-NE) and Johanns (R-NE) amendment to grandfather communities and increase the existing community population threshold to 35,000.
- Rep. Fortenberry's (R-NE) bill - HR 273, to grandfather communities through the next census.

House Ask:

Ask your Representative to sign the Fortenberry (R-NE) Hinojosa (D-TX) letter to leadership asking them to include this fix in any legislation to be passed before September 30.