

A large background photograph showing a man with a beard and a child hugging in a field. The man is wearing a black t-shirt and a grey cap, and the child is wearing a blue top. They are both smiling and looking towards the camera. The background is a blurred field with a fence.

Preserve, Improve, and Expand the USDA Rural Rental Housing Portfolio

The Department of Agriculture’s (USDA) Rural Development (RD) rental housing is often the only safe and affordable housing in rural communities. Most of the approximately [400,000 remaining](#) RD units will be lost within the next 25 years unless there is government action to prevent the loss. [More than half of extremely low-income](#) rural renter households experience housing insecurity. Tenants who lose their RD housing are often displaced because they have few, if any, affordable options in their communities. The loss of RD housing disproportionately results in more rural families who are Black, Indigenous, and people of color (BIPOC) without stable housing.

The RD rental housing portfolio is rapidly diminishing due to an increase in mortgage prepayments, maturing mortgages, foreclosures, and poor conditions. When federally subsidized Section 515 properties exit the rural housing portfolio, tenants also lose their Section 521 Rental Assistance, which caps their rent at 30% of their income. Without any assistance, residents are faced with few affordable housing options, leaving them at risk of

housing instability and homelessness. RD’s Section 515 and 521 programs combined with USDA’s farmworker housing programs provide affordable rental housing to [more than 552,000 rural Americans](#) nationwide.

While a critical resource in rural America, USDA has historically operated its housing programs in unlawful and discriminatory ways. Federal law requires USDA to evaluate how early exits from the program will impact households of color but USDA consistently fails to do the statutorily required analysis. In the recent past, USDA unlawfully prevented many immigrants from accessing rental properties in its portfolio. These unlawful policies disproportionately deny equal access to housing to BIPOC applicants and tenants, and immigrants from majority non-white countries.

The next administration should improve and expand USDA’s Section 515 multifamily housing program, fully fund USDA’s Section 521 Rental Assistance program and its Section 542 Voucher program, and publish final regulation for the implementation of Section 542.

Recommendations

Congress should adequately fund USDA Rural Development (RD) Housing Programs.

- **Reinvest in Section 515 development.** USDA has not constructed new federally-assisted housing in rural communities in decades. The incoming president's first budget should direct Congress to appropriate significant increases to Section 515 that fully fund existing loans and allow for the issuance of new loans to extend the life of the program and increase the supply of affordable housing.
- **Increase funding for RD's Multifamily Housing Preservation and Revitalization Loan Program (MPR).** The MPR loan program was created to support the preservation of Section 515 properties as they age or when the loans are near maturity. The program provides a suite of preservation tools, including debt deferral and grants that incentivize owners to remain in the RD program, and addresses critical health and safety needs in their properties that can extend affordability restrictions.
- **Fully fund Section 521 Rental Assistance (RA).** Section 521 RA is a vital component of Section 515 affordability and preservation efforts. The guaranteed income that the subsidy provides incentivizes property owners to participate through the duration of their mortgage. Additionally, Section 521 RA ensures that properties remain in good repair and occupied, preventing foreclosures and property condemnation. Any increase in funding for the Section 515 program should be paired with a comparable increase in Section 521 RA.
- **Fully fund the RD Voucher Program.** As Section 515 properties exit the portfolio, RD Vouchers are an important tool for maintaining housing affordability and stability for tenants. The RD Voucher program appropriation should have enough funding to keep pace with the growing number of tenants who need vouchers due to displacement.

Preserve existing Section 515 developments.

- **Permanently authorize the decoupling of Section 521 Rental Assistance from Section 515 maturing mortgages.** Rental Assistance is critical to maintain affordability and tenant protections for Section 515 residents after the mortgage matures. While the current administration has taken steps to decouple this assistance in some properties with maturing mortgages, the next administration should direct Congress to permanently authorize decoupling for all 515 properties.
- **Enforce the requirements of the *Emergency Low-Income Housing Preservation Act (ELIHPA)*.** Under ELIHPA, RD should determine if so-called "minority-housing opportunities" or housing for BIPOC communities, are materially affected by owners seeking to prepay their loans. However, RD has adopted a standard that currently allows owners to avoid selling the property to a nonprofit or public agency that would preserve the housing as affordable. The next administration should direct USDA to align its regulations and implementing policies with its civil rights obligations under ELIHPA.

Improve programs that support residents facing mortgage expiration, prepayment, or foreclosure.

- **Provide relocation assistance and mobility counseling to USDA tenants.** When Section 515 properties exit the portfolio due to mortgage maturity or prepayment, residents are left with little guidance on their options for locating new affordable housing or remaining in their homes. The next administration should create a program to provide relocation assistance and mobility counseling to RD tenants.
- **Permanently expand eligibility for the RD Voucher program to aid tenants in properties with maturing mortgages and to families impacted by disasters.** Currently, RD Vouchers are only extended to residents living in Section 515 properties that have been approved for prepayment or have been subject to foreclosure. To provide protection against displacement when Rental Assistance contracts are not renewed, the next administration should direct Congress to expand RD Voucher eligibility to residents of properties with maturing mortgages and families affected by disasters.
- **Issue a final rule on the use of RD Vouchers.** Since 2006, USDA's Rural Housing Service (RHS) Department has operated its voucher program as a demonstration. A final rule is essential to make the program permanent, and to clarify implementation issues such as tenant eligibility, housing unit inspections, and subsidy calculations. Additionally, the rule would provide consistency in program implementation. While modeled after the Department of Housing and Urban Development's Housing

Choice Voucher (HCV) program, the RD Voucher program lacks essential features that are necessary for the lowest-income renters to effectively use their vouchers. Notably, RD Voucher amounts do not change to reflect rising rents, increased utility costs, or reductions in household income. To better replicate the HCV program, the next administration should direct USDA to set rent levels based on local market conditions, utility costs, household size, and income; and to adopt a program-specific Housing Assistance Payments contract and lease addendum.

- **Enforce affordability use restrictions on owners who prepay loans.** In some cases, owners who prepay their Section 515 loans are subject to use restrictions that require them to subsidize residents' rents at 30% of their income. These use restrictions are intended to keep housing affordable for residents of the property after prepayment for as long as they choose to remain in their homes, and discourage prepayments among owners. However, these restrictions are unevenly enforced by USDA, resulting in unlawful increases in rents and utility costs, and evictions for remaining tenants.
- **Preserve Section 521 Rental Assistance contracts in the event of foreclosure.** Currently, RA contracts are extinguished at foreclosure. The next administration should direct USDA to require retention of any RA contract at foreclosure unless infeasible and require USDA to consult with tenants and the local government in making the determination of feasibility.

Ensure RD's housing programs and policies welcome immigrant and mixed-status families.

- **Rescind the citizenship or so-called "qualified alien" regulations.** For nearly 20 years, RD has published rules regarding tenant eligibility for its Section 515 and 538 programs that could not be implemented because they run contrary to federal law and discriminate against immigrant and mixed-status families. The continued presence of these illegal regulations is confusing to applicants and owners.
- **Issue a final rule regarding mixed-status families' eligibility.** RD has never promulgated regulation on how mixed-status families can access RD's housing programs subject to Section 214 of the Housing and Community Development Act. The absence of a rule has led to confusion and prevented some mixed-status families from benefiting from Congress' intent to allow mixed-status families to reside in certain federal housing programs.

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