

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION
Ensuring NAHMA Members Receive the Latest News and Analysis of
Breaking Issues in Affordable Housing

National Affordable Housing Management Association – 400 N. Columbus Street, Suite 203 - Alexandria, VA 22314
Phone 703-683-8630 - Fax 703-683-8634 - www.nahma.org



December 7, 2018

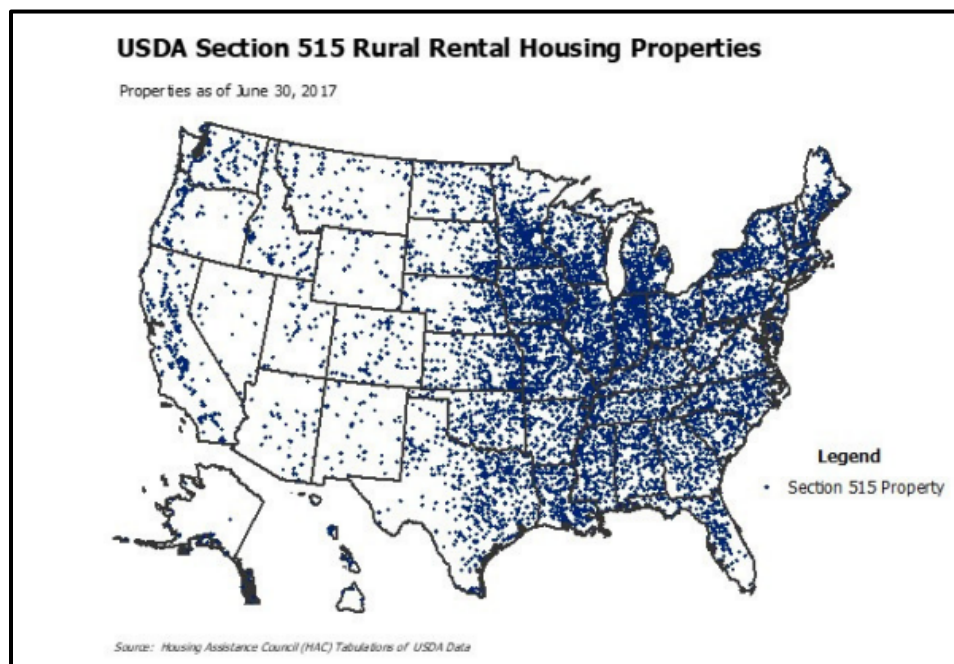
NAHMAanalysis 2018-1207

The State of the Nation's Rural Housing Portfolio

Introduction

Earlier this year, the Housing Assistance Council (HAC) released a report on the U.S. Department of Agriculture (USDA) multi-family housing portfolio to identify the need and propose solutions to preserve this aging portfolio. In HAC's report, titled "Rental Housing For a 21st Century Rural America, A Platform for Preservation," the organization makes the case that the lack of affordable housing is not just a problem for urban areas; affordable housing in rural America is also a crisis. The report concludes with strategies for four key stakeholders and entities that are essential for the preservation of the rural portfolio, including 1) the USDA; 2) owners of Section 515 properties; 3) tenants residing in Section 515 properties; and 4) the public interest created by Section 515 investments and related outlays. This NAHMA Analysis highlights relevant data and information, as provided by HAC in its [report](#), [executive summary](#), and [interactive maps](#) (Mapping Rural America).

USDA Rental Housing Portfolio

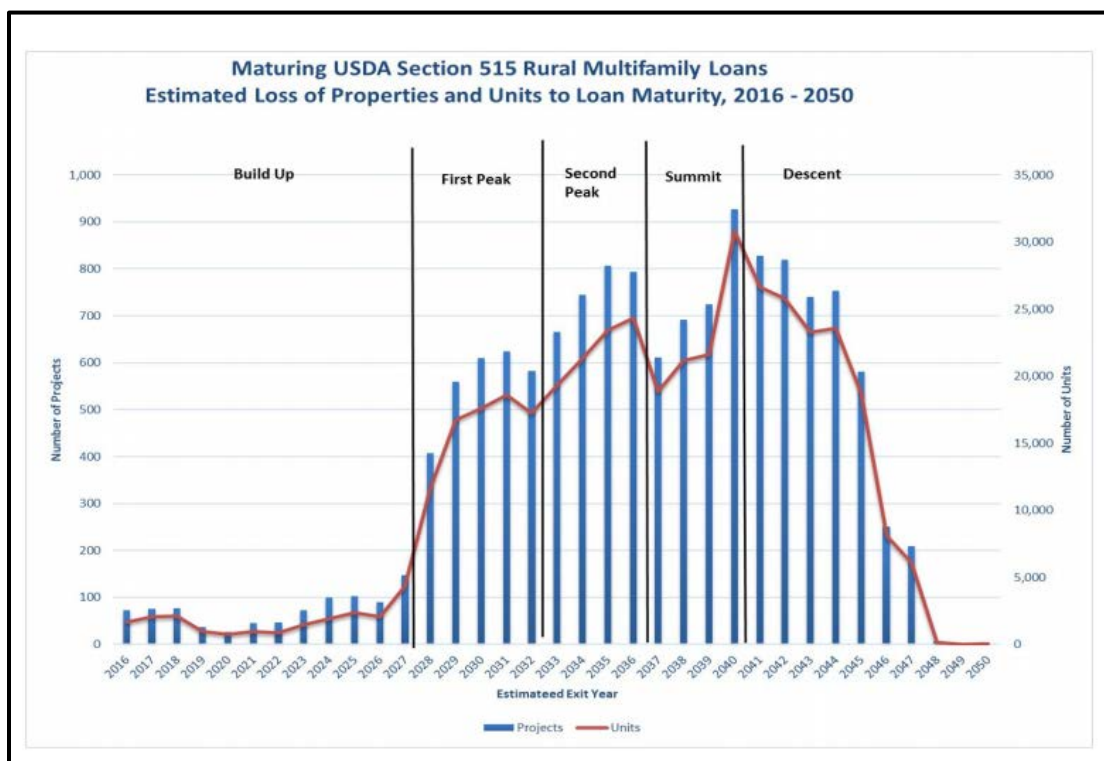


Since 1963, USDA’s Section 515 program, Rural Rental Housing Loans, has provided financing for almost 28,000 rental properties with over 530,000 affordable multifamily units. Some 87 percent of all U.S. counties have at least one USDA rural rental property, including all states and territories. As of April 2016, there were 13,829 Section 515 properties with 416,396 rental units in USDA’s portfolio. Over 80 percent of tenants in USDA properties receive some type of rental assistance from the USDA Section 521 program, HUD’s Project-based Section 8, and Housing Choice Vouchers. About 98 percent of the properties are designated either family or elderly projects. In fact, nearly 63 percent of the properties (over 64 percent of all portfolio units) are family projects. Elderly-specific projects (residents age 62 and over or that have disabilities), make up nearly 35 percent of the properties and roughly one-third of units. The average income of Section 515 tenants is \$13,600 – 75 percent less than the average household income in the U.S. Nearly 46,000, or over 7 percent of all tenants, are rent-burdened (paying more than 30 percent of income for their housing).

The Rural Affordable Housing Crisis

HAC’s report finds that rental housing options in rural America are scarce and declining. Since 2011, no new Section 515 properties have been financed, and the limited Section 515 funding available has been used to repair and rehabilitate existing program properties. Around 90 percent of USDA’s portfolio is over 20-30 years old. Significant numbers of Section 515 properties will be lost in the next few decades as their loans mature (maturing mortgages), or leave the portfolio for some other reason (usually owner prepayment).

HAC’s analysis of maturing mortgages finds an average of 74 properties (1,788 units) per year will leave the program from 2016 to 2027. This trend will continue for the following decade, encompassing the potential loss of 2,800 to 3,000 properties with 82,000 to 92,500 units.



Between 2001 and 2016, loans were prepaid on 1,564 Section 515 properties resulting in 28,475 rental units leaving USDA's portfolio. Over the last five years an average of 86 properties and 1,643 units have prepaid annually. As of 2016, an estimated 5,300 Section 515 properties (38.2 percent of properties, encompassing over 150,000 units) are still eligible to prepay.

As a result of maturing mortgages or prepayments on a USDA Section 515, the property loses its Section 521 rental assistance. This could lead to tenant displacement and the elimination of the affordable rents, as some properties will not have use restrictions after properties leave the program.

Strategies to preserve rural affordable housing

In the conclusion of the report, HAC identifies strategies for all stakeholders, including USDA and property owners. Specifically, HAC recommends USDA and the Rural Housing Service be transparent and make data publically available. USDA could also convene and engage stakeholders to share preservation information and best practices. USDA could offer owners incentives to stay in the 515 program. Similarly, owners could lower operating costs to make preservation more feasible.

Currently, LIHTC and USDA's Section 538 loan guarantee program are key preservation tools. The LIHTC program could be utilized better to preserve the rural portfolio, specifically the 9% credit. Also, re-amortizing aging Section 515 loans is a significant preservation strategy. HAC also recommends increased state/local government and private lender involvement for preservation resources, which may come from Fannie Mae and Freddie Mac through the "Duty-to-Serve" Rule.