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Restoring Cuts to Rural Rental Assistance That Will Result in Non-Payment Of Subsidy Contracts in September 2013.

NAHMA strongly urges Congress to take legislative action at the earliest opportunity to either restore funding in time to avoid the RA shortfall or to provide funds in FY 2014 to compensate owners for the lost RA in FY 13.

- The Section 521 Rural Rental Assistance (RA) program is project-based rental assistance administered by the U.S. Department of Agriculture-Rural Housing Service (RHS).
 - It is often used with Section 515 housing or farm labor housing to pay apartment owners the difference between tenants' contributions (30 percent of their income) and the monthly rental rate.
- As a result of sequestration and other across-the-board cuts in the FY 13 Agriculture Appropriations bill, there will be shortfalls in RA.
 - According to RHS, RA is receiving a \$65 million cut in FY 13.
 - The amount is much larger than what can be supplemented from other accounts; and
 - There are limitations on moving account funds to other programs.
- RHS has told stakeholders that the impact of the RA shortfall will be limited to September 2013.
- If a contract runs out of money in August, no funding will be available for renewals in September.
 - Contracts that are not funded in FY 13 will be the first to be funded in FY 14.
- RA not received in September will NEVER be received.
 - RHS says funding for FY 14 can't be used to cover FY 13 shortfalls.
 - This policy sets an unacceptable, dangerous precedent for ALL federal rental assistance programs.
- According to RHS, tenants may NOT be evicted for the lack of rental assistance funds.
- RHS identified about 900 properties which could be affected, but the Agency estimates 600 of those properties will actually be affected by the shortfall.
- The Agency will try to mitigate the shortfall with options available under its regulations:
 - Allow authorized withdrawals from replacement reserve account.
 - Permit borrower loans to the property (under requirements of 7 C.F.R. Sec. 3560.309).
 - Suspend the monthly reserve account deposit.
 - Defer the monthly debt service payment to prevent a compliance violation.

- It is unclear that these regulatory actions will be sufficient to make up for the lost RA revenue, which can amount to \$15,000 a month for a single property.

- As a positive *first step* in addressing the shortfall, NAHMA supports language in the Senate Appropriations Committee Report for S. 1244 which directs RHS to report information such as:
 - The number of RA contracts expiring in FY 13 that were not renewed; and
 - A revised estimate of RA needs in FY 14, to cover the original estimate of expiring units and those not renewed in FY 13.