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**Outside Witness Testimony of Kris Cook, CAE  
Executive Director, National Affordable Housing Management Association  
House Appropriations Committee  
Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related  
Agencies  
FY 2015 U.S. Department of Agriculture Budget  
March 20, 2014**

Thank you, Chairman Aderholt and Ranking Member Farr for the opportunity to submit this testimony on behalf of the National Affordable Housing Management Association (NAHMA). My testimony concerns the FY 2015 budget for the U.S. Department of Agriculture (USDA), and in particular, funding for the USDA-Rural Development (RD) multifamily housing programs. The majority of my testimony will discuss RD's requested funding and new legislative authorities for its Section 521 Rural Rental Assistance (RA) Program.

**About NAHMA**

NAHMA members manage and provide quality affordable housing to more than two million Americans with very low to moderate incomes. Our membership consists of presidents and executives of property management companies, owners of affordable rental housing, public agencies and national organizations involved in affordable housing, and providers of supplies and services to the affordable housing industry. In addition, NAHMA serves as the national voice in Washington for 19 regional, state and local affordable housing management associations ([AHMAs](#)) nationwide.

## **Funding for RD Multifamily Housing Programs**

**Section 521 Rural Rental Assistance:** The Section 521 Rural Rental Assistance (RA) program is project-based rental assistance administered by USDA-RD. It is often used in conjunction 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.

For FY 2015, USDA requests \$1.089 billion for Section 521 Rural Rental Assistance. RD believes this request is sufficient to accommodate renewals. NAHMA urges the Subcommittee to review this request thoroughly, as it is based on assumptions for new legislative authorities that affect the level of necessary funding. NAHMA firmly believes that appropriations for this program must be sufficient to provide 12 months of funding for all contracts.

This year, RD also requests legislative changes which would:

- Remove the requirement to fund RA contracts for a one-year period, and replace it with language to fund contracts “up to one year”;
- Eliminate the automatic renewal of rental assistance contracts that occur within the 12-month contract period; and
- Provide that “rental assistance will be renewed at the discretion of the Secretary.”

RD believes these changes will provide greater predictability in the RA budget, as well as the necessary flexibility to prioritize RA contract renewals during times of funding uncertainty (such as

continuing resolutions or under sequestration). NAHMA is concerned that the specific language proposed is too broad, and we recommend that it be revised to more closely reflect its stated intent.

After the RA shortfall which resulted from FY 2013 sequestration, it is clear that RHS needs some degree of flexibility in its contract renewal procedures during times of extraordinary budget uncertainty. That said, the flexibility must not absolve the agency of its financial obligations to owners for payment of RA during the term of the contract, nor should it be used as a budget gimmick to request less appropriations than are necessary to provide 12 months of contract funding at the time of renewal.

Likewise, NAHMA respectfully suggests that an advanced appropriation would offer a more straightforward mechanism to ensure RD has the necessary funding for contract renewals when the agency must operate under a continuing resolution. Advanced appropriations have been used successfully for several years to renew HUD's Project-Based Section 8 and Housing Choice Voucher contracts during the first quarter of the fiscal year when continuing resolutions are in place.

In section 725 of USDA's proposed general provisions, the Agency also requests authority to access the same interagency databases used for income verification by the U.S. Department of Housing and Urban Development (HUD). RD is especially interested in using this authority to reduce improper payments in its RA program. NAHMA supports this request in concept. If Congress provides such authority, NAHMA recommends that USDA-RD implement it by seeking access to HUD's Enterprise Income Verification (EIV) System for RHS staff, as well as for authorized property owners and managers. EIV obtains monthly Social Security and Supplemental Security Income benefits data

from the Social Security Administration, and monthly employer new hires (W-4), quarterly wage for federal and non-federal employees, and quarterly unemployment data from the Department of Health and Human Services' National Directory of New Hires (NDNH). It would seem more efficient for RD to use the EIV system for income verification than to create an entirely new system.

**Section 515:** Section 515 Direct Rural Rental Housing Loans are competitive mortgage loans which finance affordable multifamily rental housing for low-income families, the elderly and persons with disabilities in rural America. The 2015 budget request proposes \$28.432 million for the Section 515 direct loan program. NAHMA supports funding at a level of at least \$28.432 million.

**Section 538:** The Section 538 Multifamily Loan Guarantee program provides loan guarantees which encourage construction, acquisition, or rehabilitation of rural multifamily housing for low-income residents. NAHMA supports RD's request of \$150 million for this program.

**Multifamily Preservation and Revitalization (MRP) Program:** The Multifamily Housing Revitalization Program funds tenant protection vouchers, property rehabilitation and preservation demonstration programs. RD requests \$28 million for this program. Of this total funding, \$8 million would be directed to the Rural Housing Voucher Program, which provides a rental subsidy to any low-income household (including those not receiving rental assistance) residing in a property financed with a Section 515 loan which has been prepaid after September 30, 2005. Likewise, \$20 million is proposed for the demonstration program to preserve and recapitalize aging rural multifamily rental properties. NAHMA supports funding for MRP program at a level of at least \$28 million. We are, however, concerned about the proposed reduction in voucher funding from nearly \$12.58 million in

the FY 2014 Omnibus Appropriations Act to \$8 million in RD's FY 2015 budget request. We urge the Subcommittee to carefully consider whether \$8 million will be sufficient to meet the demand for these Rural Housing Vouchers in FY 2015.

**Conclusion**

Thank you again for the opportunity to submit this testimony. I look forward to working with the Subcommittee to ensure that USDA-RD's multifamily housing programs are fully funded and properly administered.