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**Outside Witness Testimony of Kris Cook, CAE
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Subcommittee on Agriculture, Rural Development, Food and Drug Administration
and Related Agencies
FY 2014 U.S. Department of Agriculture Budget**

Thank you, Chairman Pryor and Ranking Member Blunt for the opportunity to submit this testimony on behalf of the National Affordable Housing Management Association (NAHMA). My testimony concerns the FY 2014 budget for the U.S. Department of Agriculture, and in particular, funding for the Rural Housing Service (RHS) multifamily housing programs.

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 RHS Multifamily Housing Programs

Section 521 Rural Rental Assistance: The Section 521 Rural Rental Assistance (RA) program is project-based rental assistance administered by USDA-RHS. 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 2014, RHS requests \$1.015 billion for Section 521 Rural Rental Assistance. RHS believes this request is sufficient to accommodate renewals. Because the President's budget assumes repeal of sequestration, NAHMA is concerned that this request may not be sufficient to fully fund the FY 14 renewals and cover any shortfalls resulting from rescissions in FY 2013. NAHMA supports funding at a level of \$1.015 billion, *plus any additional appropriations necessary to ensure there are no shortfalls as a result of sequestration and the additional rescissions in the FY 2013 appropriations legislation.*

In a [letter to stakeholders](#) dated April 16, 2013, Under Secretary Dallas Tonsager wrote:

“Effective on March 1, 2013, the Budget Control Act of 2011 (P.L. 112-25) mandated budget reductions, known as sequester, totaling \$85 billion across the Federal government for the remainder of the Federal fiscal year. The Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6), signed into law on March 26, 2013, maintained the sequester cut and included two further across-the-board reductions (rescission) for USDA discretionary funding totaling 2.77 percent....

Given the variables affecting RA usage, **it will be some time before we know how far the remaining funding can be extended to accommodate renewals.** Rural Development will continue to fully renew RA contracts as they expire. However, **we anticipate that funding will run out before the end of the fiscal year.** To the extent possible, Rural Development will work with affected borrowers within its regulatory authority to mitigate the effects of these cuts, including the potential use of any of the special servicing actions described in 7 C.F.R. [Parts] 3560.454 and 3560.455. We appreciate the potentially difficult position the reductions in rental assistance may create for your properties.” (Emphasis added.)

NAHMA is extremely concerned that RHS expects to run out of funding for renewals before October 1, but they have announced no concrete plans to manage the expected RA shortfalls. As it stands, property owners whose contracts expire later in FY 2013 do not know when, or if, their contracts will be renewed. This uncertainty makes it extremely difficult to plan for even normal property operations such as paying the mortgage, utility bills and meeting payroll. Similarly, property owners whose contracts expire in FY 2014 do not know how the FY 2013 shortfall will affect their contracts. NAHMA strongly urges the Subcommittee to conduct thorough oversight on this matter. It is essential to determine exactly how much RHS needs in additional appropriations to fund the full 12-month terms of RA contracts in FY 2013. Once the need is determined, we respectfully request that the Subcommittee act with urgency to provide the funding at the earliest opportunity. If the funding cannot be supplemented in FY 2013, then it is imperative to include these necessary funds as part of the FY 2014 appropriations.

Aside from funding, RHS also requests access to the Health and Human Services National Database of New Hires as well as the IRS data, similar to what the Department of Housing and Urban Development has for project-based Section 8. RHS is seeking this authority to reduce improper payments in its means-tested programs—and especially in its RA program. NAHMA is interested in reviewing the specific legislative language of RHS’ proposal, but we support the request in concept. Rather than create an entirely new system, NAHMA recommends granting access to HUD’s Enterprise Income Verification (EIV) System to RHS staff, as well as to authorized property owners and managers.

Section 515: Section 515 Direct Rural Rental Housing Loans are direct, competitive mortgage loans which finance affordable multifamily rental housing for low-income families, the elderly and persons with disabilities in rural America. The 2014 budget request proposes \$28 million for the Section 515 direct loan program. NAHMA supports funding at a level of at least \$28 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. The budget requests \$150 million for this program. NAHMA supports this request.

Multifamily Preservation and Revitalization (MRP) Program: The Multifamily Housing Revitalization Program funds tenant protection vouchers, property rehabilitation and preservation demonstration programs. RHS requests \$32.6 million in budget authority for this program. Of this total funding, \$12.6 million is 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. Once again, we urge the Subcommittee to ensure the rescissions written into the FY 2013 appropriations bill do not create a shortfall in the Rural Housing Voucher program. Likewise, \$20 million is proposed for the Section 515 MRP demonstration program which is used to preserve and recapitalize aging rural multifamily rental properties. NAHMA supports funding for MRP program at a level of at least \$32.6 million.

Conclusion

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