November 21, 2014

Representative Hal Rogers
Chairman Committee on Appropriations
H-305 Capitol Building
Washington, DC 20515

Senator Barbara Mikulski
Chairwoman Committee on Appropriations
S-131 Capitol Building
Washington, DC 20510

Representative Nita Lowey
Ranking Member
Committee on Appropriations
H-305 Capitol Building
Washington, DC 20515

Senator Richard Shelby
Ranking Member
Committee on Appropriations
S-131 Capitol Building
Washington, DC 20510

Dear Chairman Rogers, Ranking Member Lowey, Chairwoman Mikulski and Ranking Member Shelby:

Our organizations, which represent for-profit and non-profit property owners, developers, managers and lenders who are involved in the development and preservation of affordable rural rental housing, are writing to express our support for the U.S. Department of Agriculture (USDA) Rural Housing Service (RHS) multifamily housing programs. We urge you to approve the Senate Appropriations Committee's recommended funding levels for these programs that provide decent, safe and affordable rental housing to rural families and are critical to meeting the housing needs of low- and moderate-income rural families.

The Section 521 Rental Assistance (RA) program is of particular importance to our organizations. This program provides project-based rental assistance to properties financed under the Section 515 Multifamily Rental Direct Loan program. The portfolio currently includes about 15,000 projects that provide housing for about 700,000 low-income individuals, many of whom are elderly. Almost 285,000 households receive rental assistance. The average annual income of these tenants is about $11,000. There are restrictions on the amount of rent property owners may charge to occupants, and the RHS must approve project rents, which are based on the debt service for the loans and reasonable operating and maintenance expenses. Without adequate funding for rental assistance, many low-income tenants would have to pay more in rent or even move in search of a lower cost apartment.

We are concerned with a provision included in both the House and Senate FY2015 USDA, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, which would prohibit the re-renewal of Section 521 RA contracts within a current 12-month contract period. We believe that this provision, if enacted into law, will put some multifamily rental apartment complexes financed by the Department's Section 515 and 514 programs in financial jeopardy.

Currently, the USDA has the ability to renew contracts within the current 12-month period, thus, rental shortfalls have not been an issue. It is our understanding that approximately three percent of the properties receiving RA fall short each year, due to a variety of reasons, including: a property's rents fall outside statewide averages; RHS-approved rents or utility allowances increased during a contract period; higher-needs residents moved in during the year; or a project used a higher percentage of RA units than in the past. Rental shortfalls are not caused by lack of financial discipline on the part of property owners.

The provision eliminating the re-renewal flexibility will result in some properties without sufficient funds to pay mortgage debt, maintain the property and pay employees. Further, some of these properties, particularly those recently preserved with funding from other public and private sources, risk default on their current obligations to Fannie Mae, Freddie Mac, Ginnie Mae, private lenders and equity investors, jeopardizing Section 515 properties and inviting foreclosure actions. This will fatally compromise current and future efforts to leverage non-RHS resources to preserve these properties. We strongly urge you to retain the current flexibility that allows the RHS to manage rental assistance shortfalls.

Thank you for your continued strong support of RHS's multifamily programs. We look forward to working with you to ensure that all the agency's programs are adequately funded and continue to serve this country's low-income residents throughout rural America.

Sincerely,

Council for Affordable and Rural Housing (CARH)
Institute of Real Estate Management (IREM)
National Affordable Housing Management Association (NAHMA)
National Apartment Association (NAA)
National Association of Home Builders (NAHB)
National Housing and Rehabilitation Association (NH&RA)
National Leased Housing Association (NLHA)
National Multifamily Housing Council (NMHC)