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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 2016 U.S. Department of Agriculture Budget
March 23, 2015**

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 2016 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 2016, USDA requests \$1.172 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.

In the FY 2015 Agriculture Appropriations bill, (Division A of the Consolidated and Further Continuing Appropriations Act, 2015) Congress adopted language which eliminated the automatic renewal of rental assistance contracts that occur within the 12-month contract period. 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”;
- 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. In its current form, the language could be read as giving the Secretary the option to pick and choose which contracts will be funded with no recourse for owners to recover RA payments for months that RD cannot or will not renew contracts. Taken together with existing language which prohibits re-renewal of contracts during a 12- month contract period, this language could leave owners without RA payments for extended periods. To avoid inviting this unnecessary chaos into the program, NAHMA strongly urges the Subcommittee to repeal the prohibition on renewing contracts that run out of funding within their 12-month contract periods. Likewise, we strongly urge the Subcommittee to fund RA contracts for their full 12-month terms.

After the RA shortfall which resulted from FY 2013 sequestration, RHS may need 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 724 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 2016 budget request proposes \$42.271 million for the Section 515 direct loan program. NAHMA supports this funding level.

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 \$200 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 \$34 million for this program. Of this total funding, \$15 million would be directed to the Rural Housing Voucher Program. This year, RD proposes to use this funding not only to provide 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, but also for those “otherwise paying off the section 515 financing as based on prioritization as determined by the Secretary.” NAHMA supports expanding the use of Rural Housing Vouchers to protect tenants in properties with maturing Section 515 mortgages. We urge the Subcommittee to ensure the budget language achieves this goal. Likewise, we urge the Subcommittee to carefully consider whether \$15 million will be sufficient to meet the demand for these Rural Housing Vouchers in FY 2016 from both prepaid and mature mortgages. Likewise, \$19 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 \$34 million.

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.