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# USDA Rural Housing Programs: An Overview

March 8, 2022

**Congressional Research Service**

<https://crsreports.congress.gov>

R47044



## USDA Rural Housing Programs: An Overview

While residents of rural areas are potentially eligible to participate in the full range of housing programs administered by the federal government, the U.S. Department of Agriculture's (USDA's) Rural Housing Service (RHS) administers several housing programs targeted specifically to residents of rural communities. These programs are authorized under Title V of the Housing Act of 1949, as amended, and are usually referred to by the section of that act under which they are authorized. The definition of *rural* for the purposes of USDA housing programs is established in statute and is based on population thresholds and, in some cases, other characteristics.

Programs administered by RHS support both single-family and multifamily housing, generally through grants, direct loans, or loan guarantees. The programs are generally targeted toward lower-income residents of rural areas; specific income thresholds and other eligibility criteria vary by program. Single-family programs include loans to purchase homes, loans and grants to repair homes, and grants to support self-help housing programs (i.e., programs where families contribute their own labor to the construction of their homes). Multifamily programs include loans to develop or rehabilitate rental housing, loans and grants to finance housing for farm laborers, and associated rental assistance.

Some have expressed growing concern about preserving the affordability of the existing stock of rental housing properties subsidized by some RHS programs. This is because when USDA mortgages on rural rental properties mature or are paid off early, affordability restrictions (agreed to by property owners benefitting from favorable USDA mortgage terms) end and the properties are eligible to convert to market-rate housing. Various policies to preserve USDA-assisted affordable rental properties have been implemented, and additional policies have been proposed.

There are sometimes questions raised about the role of the USDA rural housing programs in relation to other federal housing programs. Given the relatively small size of the rural housing programs and some similarities to other programs, there have been proposals over the years to eliminate certain rural housing programs or to move some or all of the programs to the Department of Housing and Urban Development (HUD). Rural housing advocates have generally opposed such proposals, arguing that rural housing programs serve needs that are not addressed through other programs and that factors such as USDA's field office structure and its expertise in rural areas provide advantages in reaching rural residents.

R47044

March 8, 2022

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## Background

The U.S. Department of Agriculture's (USDA's) Rural Housing Service (RHS), part of USDA's Rural Development office, administers a number of federal housing programs<sup>1</sup> designed to support homeownership or rental housing primarily for lower-income families in rural areas.<sup>2</sup> These programs are authorized by the Housing Act of 1949 (Title V of P.L. 81-171; 42 U.S.C. §§1471 et seq.), as amended, and are usually referred to by the section of that act under which they are authorized.

RHS housing programs are under the jurisdiction of the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services. Appropriations for the RHS programs are provided through the annual appropriations acts that provide funding for the USDA, which are under the jurisdiction of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies subcommittees of the Senate and the House Appropriations Committees.

RHS housing programs are primarily grant and loan programs, including both guaranteed and direct loans.<sup>3</sup> For grant programs, annual appropriations acts specify the amount available for a program in a given year. For loan programs, annual appropriations acts specify a total dollar amount of loans that can be made or guaranteed (the loan authorization level), as well as provide any appropriations necessary to cover the expected costs of those loans (credit subsidy/budget authority).

USDA Rural Development (RD) operates through a national office (with headquarters in Washington, DC and St. Louis, MO) and state offices led by presidentially appointed state directors.<sup>4</sup> These state offices administer the federal assistance programs, including accepting and processing applications for direct loans and grants.

While the RHS housing programs are targeted specifically toward rural areas, rural communities and residents may also benefit from other federal housing programs, most of which are administered by the Department of Housing and Urban Development (HUD).<sup>5</sup> For example, among other things,

- qualified individuals in rural areas can apply for mortgages insured by HUD's Federal Housing Administration (FHA) or for HUD Housing Choice Vouchers,

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<sup>1</sup> The Rural Housing Service also administers several rural community facilities programs; those programs are not discussed in this report. For more information on the community facilities programs, see <https://www.rd.usda.gov/programs-services/community-facilities>.

<sup>2</sup> The definitions of *rural* and *rural area* for the purposes of USDA rural housing programs are different than those used by the U.S. Census Bureau and are established in statute, based on population thresholds and other characteristics such as being "rural in character" or having a "serious lack of mortgage credit for lower and moderate income families." See 42 U.S.C. §1490. For a map of eligible and ineligible areas, see <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd>.

<sup>3</sup> Like other government-insured or -guaranteed mortgages, single-family and multifamily mortgages guaranteed by RHS are eligible to be included in mortgage-backed securities guaranteed by Ginnie Mae. For more information on Ginnie Mae's role in facilitating a secondary mortgage market for government-backed mortgages, see [https://www.ginniemae.gov/about\\_us/who\\_we\\_are/Pages/funding\\_government\\_lending.aspx](https://www.ginniemae.gov/about_us/who_we_are/Pages/funding_government_lending.aspx).

<sup>4</sup> Information on states offices is available at <https://www.rd.usda.gov/about-rd/state-offices>.

<sup>5</sup> For an overview of the major federal housing assistance programs, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*.

- housing developers in rural areas can compete for Low-Income Housing Tax Credits (a U.S. Department of the Treasury program administered by states), and
- rural communities can benefit from HUD grant funds provided to states (such as Community Development Block Grants).

In addition, some specific housing programs outside of the RHS programs may be largely used in rural areas, such as those that provide funding to Indian tribes.<sup>6</sup>

## Defining Rural

There are numerous definitions of rural used for different policies, programs, and purposes across the federal government.<sup>7</sup> The definitions of *rural* and *rural area* for the purposes of USDA rural housing programs are established in statute. They are based on population thresholds and, in some cases, other characteristics. Specifically,

the terms “rural” and “rural area” mean any open country, or any place, town, village, or city which is not [ ... ]<sup>8</sup> part of or associated with an urban area and which (1) has a population not in excess of 2,500 inhabitants, or (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or (3) has a population in excess of 10,000 but not in excess of 20,000, and (A) is not contained within a standard metropolitan statistical area, and (B) has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary and the Secretary of Housing and Urban Development.<sup>9</sup>

Over the years, Congress has amended this definition to grandfather certain communities that have had population growth that puts them at risk of losing eligibility for participation in USDA rural housing programs. Most recently, the statutory definition was amended in 2018 (P.L. 115-334) to extend these grandfather provisions until receipt of data from the 2030 decennial census. Specifically,

any area classified as “rural” or a “rural area” prior to October 1, 1990, and determined not to be “rural” or a “rural area” as a result of data received from or after the 1990, 2000, 2010, or 2020 decennial census, and any area deemed to be a “rural area” for purposes of this subchapter under any other provision of law at any time during the period beginning January 1, 2000, and ending December 31, 2020, shall continue to be so classified until the receipt of data from the decennial census in the year 2030, if such area has a population in

<sup>6</sup> Federal funding for housing in tribal areas is provided primarily through HUD. While RHS programs can be used in tribal areas, there have been various efforts and proposals to increase their use. For example, USDA has piloted a program since 2018 that provides Section 502 Direct Loan funding to certain Native Community Development Financial Institutions (CDFIs) to re-lend to eligible homebuyers in tribal areas. See USDA, “USDA Announces Pilot Program to Increase Homeownership Opportunities on Native Lands,” press release, May 31, 2018, <https://www.usda.gov/media/press-releases/2018/05/31/usda-announces-pilot-program-increase-homeownership-opportunities>. In addition, a bill to reauthorize the Native American Housing Assistance and Self-Determination Act that was ordered to be reported by the House Financial Services Committee in the 117<sup>th</sup> Congress (H.R. 5195) includes a provision that would require USDA annually to set aside 5% of funds from specified RHS programs to be provided to tribes.

<sup>7</sup> See, for example, Alexander Hermann and Whitney Airgood-Obrycki, “In Search of Rural: How Varying Definitions Shape Housing Research,” presentation slides, Freddie Mac Rural Research Symposium, Washington, DC, November 8-9, 2021, pp. 2-25, [https://sf.freddiemac.com/content/\\_assets/resources/pdf/other/defining-rural-america.pdf](https://sf.freddiemac.com/content/_assets/resources/pdf/other/defining-rural-america.pdf). For a review of definitions used by USDA Rural Development (RD), see USDA RD, “Report on the Definition of Rural,” February 2013, <https://www.rd.usda.gov/files/RDRuralDefinitionReportFeb2013.pdf>.

<sup>8</sup> The statute includes exceptions in the cases of Pajaro in California and Guadalupe in Arizona.

<sup>9</sup> 42 U.S.C. §1490

excess of 10,000 but not in excess of 35,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families.<sup>10</sup>

While the population thresholds are evaluated based on data from the U.S. Census Bureau, the other factors considered—being “rural in character” and having “a serious lack of mortgage credit for lower- and moderate-income families”—are less clearly defined in statute. According to USDA guidance, Rural Development State Directors are to determine if an area is “rural in character” by completing an analysis that considers population density per square mile, accounting for factors such as economic vitality, universities, and prisons.<sup>11</sup> Field offices must review all areas under their jurisdiction every five years (or three years for areas experiencing rapid growth).<sup>12</sup> USDA’s handbook states that the assessment of “serious lack of mortgage credit” is made jointly by USDA and HUD.<sup>13</sup>

(For a map of current eligible rural areas, see <https://eligibility.sc.egov.usda.gov/eligibility/>.)

### Additional Geographic Targeting Provisions

A portion of funding from some rural housing programs is subject to additional targeting provisions that direct funds to certain types of communities within rural areas. For example, 42 U.S.C. Section 1479(f) directs 5% of lending authority for certain specified rural housing programs to be set aside for certain underserved counties, as designated by USDA, and colonias. (Colonias are residential communities in the United States located close to the border with Mexico that lack certain basic infrastructure, such as water or sewer facilities.<sup>14</sup>) In addition, annual appropriations acts often direct USDA to set aside a specified amount of funds from particular rural housing programs for certain designated areas, such as persistent poverty counties and Rural Economic Area Partnership (REAP) zones. In Division A of the Consolidated Appropriations Act, 2021 (P.L. 116-260), for example, Section 736 set aside funding for persistent poverty counties and Section 750 set aside funding for REAP Zones.

## Housing Characteristics in Rural Communities

While rural areas experience many of the same housing challenges that affect the rest of the country, certain broad characteristics of housing in rural areas differ from housing in the United States as a whole. For example, some features of housing in rural areas include the following:<sup>15</sup>

- homeownership rates are higher;<sup>16</sup>

<sup>10</sup> 42 U.S.C. §1490

<sup>11</sup> For discussion of the “rural in character” designation, see USDA RD Handbook-1-3550, Chapter 5.3; and RD, “2017-2018 Periodic Review of Rural Areas for Housing Programs,” unnumbered letter, October 19, 2017.

<sup>12</sup> USDA RD Handbook-1-3550, Chapter 5.3, and RD, “2017-2018 Periodic Review of Rural Areas for Housing Programs,” unnumbered letter, October 19, 2017.

<sup>13</sup> A prior version of USDA RD Handbook-1-3550, Chapter 5.3 included the following statement “There is a serious lack of mortgage credit readily available to families throughout rural America at rates and terms comparable to those offered by the agency. Therefore, Agency officials do not need to determine if there is a serious lack of mortgage credit available when determining whether an area is rural or in reviewing rural area designations.” This language had been cited by GAO and in agency response to a GAO recommendation. See U.S. Government Accountability Office, *Rural Housing: Changing the Definition of Rural Could Improve Eligibility Determinations*, GAO-05-110, December 3, 2004, <https://www.gao.gov/products/gao-05-110>. While this language does not appear in the 2021 revised version of RD Handbook-1-3550, CRS could find no evidence of a change in policy.

<sup>14</sup> While specific definitions can vary, the definition of *colonia* for the purposes of this set-aside is at 42 U.S.C. Section 1479(f)(8).

<sup>15</sup> For data on these features of housing in rural areas, see Fannie Mae’s proposed *Duty to Serve Underserved Markets Plan 2022-2024*, May 2021, p. 61, <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FNM-2022-24-proposed-UMP.pdf>.

<sup>16</sup> For additional information, see Housing Assistance Council, *Homeownership in Rural America*, June 2020,

- single-family homes (i.e., homes with one to four separate dwelling units) account for a larger share of the housing stock;
- manufactured housing is more common;<sup>17</sup>
- A larger percentage of rental housing is in single-family and manufactured homes, while a smaller percentage of rental housing is in multifamily properties (those with five or more units);
- house prices are generally lower; however, rural areas also tend to have lower incomes and higher poverty rates,<sup>18</sup> contributing to housing affordability challenges; and
- rural areas may face additional challenges—such as remote locations or economic issues (e.g., limited employment opportunities)—that can impact housing conditions, such as by increasing housing development costs or affecting residents’ access to mortgage financing.<sup>19</sup>

These differences in the housing stock and housing conditions more generally can have implications for rural housing needs and potential policy solutions. As noted earlier, however, rural can be defined in many different ways, and the specific definition used has implications for the characteristics of the rural housing stock and the magnitude of various housing challenges in such areas.<sup>20</sup> Furthermore, while rural areas in general exhibit these features, housing conditions are not uniform across rural areas. Specific housing conditions and challenges can vary across particular rural regions (e.g., Appalachia, the Lower Mississippi Delta), different market or industry types (e.g., resort towns, natural resource boomtowns), or areas with certain distinctive features (e.g., tribal areas, colonias).

## RHS Rural Housing Programs

The rural housing programs administered by USDA are authorized by the Housing Act of 1949 (P.L. 81-171), as amended. That law declared a national goal of “a decent home and a suitable living environment for every American family” and took a variety of actions related to housing. Title V of the law authorized the Secretary of Agriculture to provide financial assistance to farm owners to construct, improve, alter, repair, or replace dwellings or other farm buildings in order to provide decent, safe, and sanitary living conditions and adequate farm buildings. In the 1960s, Congress expanded eligibility for these programs to owners of other real estate in rural areas

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[https://ruralhome.org/wp-content/uploads/2021/05/Homeownership\\_in\\_Rural\\_America\\_web.pdf](https://ruralhome.org/wp-content/uploads/2021/05/Homeownership_in_Rural_America_web.pdf) and Christopher Mazur, U.S. Census Bureau, “Homeownership Higher in Rural Areas,” September 27, 2017, <https://www.census.gov/library/stories/2017/09/rural-home-ownership.html>.

<sup>17</sup> For additional information, see Housing Assistance Council, *Manufactured Housing in Rural America*, July 2020, [https://ruralhome.org/wp-content/uploads/2021/05/Manufactured\\_Housing\\_RRB.pdf](https://ruralhome.org/wp-content/uploads/2021/05/Manufactured_Housing_RRB.pdf).

<sup>18</sup> See Fannie Mae’s proposed *Duty to Serve Underserved Markets Plan 2022-2024*, May 2021, p. 60.

<sup>19</sup> See, for example, the discussions of housing challenges and needs in rural areas in Fannie Mae’s proposed *Duty to Serve Underserved Markets Plan 2022-2024*, May 2021, p. 62; and Freddie Mac’s proposed *Duty to Serve Underserved Markets Plan 2022-2024*, May 2021, pp. RH5-RH7, <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FRE-2022-24-proposed-UMP.pdf>.

<sup>20</sup> Alexander Hermann and Whitney Airgood-Obrycki, “In Search of Rural: How Varying Definitions Shape Housing Research,” presentation slides, Freddie Mac Rural Research Symposium, Washington, DC, November 8-9, 2021, pp. 2-25, [https://sf.freddiemac.com/content/\\_assets/resources/pdf/other/defining-rural-america.pdf](https://sf.freddiemac.com/content/_assets/resources/pdf/other/defining-rural-america.pdf).



(rather than just farm owners),<sup>21</sup> and then to rural residents more generally.<sup>22</sup> Several other financial assistance programs were added through amendments to Title V throughout the 1960s, with additional programs added in the 1980s and 1990s. In 1994, a departmental restructuring was statutorily authorized, which resulted in USDA establishing the RHS and assigning it jurisdiction over these programs.<sup>23</sup> Additionally, various programmatic and policy changes have been enacted in appropriations acts or other laws, or implemented through regulations or other administrative mechanisms over the years.

This section of the report describes RHS's rural housing programs as they are currently structured. It is organized by type of program: programs that support homeownership,<sup>24</sup> programs that support multifamily rental housing, and one program that can support either.

Eligibility for most RHS programs is restricted to very low- or low-income households, depending on the specific program. These terms are defined as follows:<sup>25</sup>

- *very low-income households* are those with incomes at or below 50% of area median income,
- *low-income households* are those with incomes at or below 80% of area median income.

A few of the RHS programs can also serve moderate-income households. *Moderate-income* is defined differently for the purposes of homeownership versus multifamily rental housing programs:

- in the case of homeownership programs, moderate income is defined as income at or below 115% of area median income;
- in the case of multifamily rental programs, moderate income is defined as income above the low-income limit but not exceeding \$5,500 more than that limit.

Program descriptions are provided below, followed by tables presenting program activity in recent years. Program activity is measured by program obligations and the number of units/loans/grants, as relevant. Obligations represent federal awards or commitments to spend funds. A separate appropriations table displaying the past five years of budget authority and loan authorization levels is provided at the end of this report (see **Table 13**). Budget authority and loan authorization levels provide the authority for federal agencies to make obligations. (Note that obligations in a given year frequently do not match amounts provided in the corresponding year's

<sup>21</sup> Section 803 of the Housing Act of 1961 (P.L. 87-70) amended Section 501 of the Housing Act of 1949 to allow assistance to be provided "to owners of other real estate in rural areas to enable them to provide dwellings and related facilities for their own use and buildings adequate for their farming operations" in addition to farm owners.

<sup>22</sup> See Section 1001 of the Housing and Urban Development Act of 1965 (P.L. 89-117). This law also expanded eligibility to allow for the purchase of previously occupied buildings and land for building sites.

<sup>23</sup> See Section 233 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354), which authorized the establishment of a Rural Housing and Community Development Service that could be assigned jurisdiction over the programs authorized by Title V of the Housing Act of 1949. USDA established this office in 1995 and later that year renamed it the Rural Housing Service; see USDA, "Revision of Delegations of Authority," 60 *Federal Register* 66713, December 26, 1995, <https://www.govinfo.gov/content/pkg/FR-1995-12-26/pdf/95-31267.pdf>.

<sup>24</sup> Depending on the specific program, eligible properties under the homeownership programs can include property types such as manufactured housing or individual condominium units.

<sup>25</sup> Regulatory definitions for single-family direct loan and grant programs can be found at 7 C.F.R. Section 3550.10; for single-family guaranteed loan programs at 7 C.F.R. Section 3555.10; for multifamily direct loan and grant programs at 7 C.F.R. Section 3560.11; and for multifamily guaranteed loan programs at 7 C.F.R. Section 3565.3.

appropriations act for various reasons, including that appropriated funds may be used across fiscal years.)

## Homeownership Programs<sup>26</sup>

### Section 502 Single Family Housing Direct Loans

Through this program, USDA makes direct loans to very low- and low-income individuals, who do not currently own adequate housing, to purchase homes to be used as primary residences. Loan funds can be used to buy, build, rehabilitate, improve, or relocate a home.<sup>27</sup> The program provides mortgages with fixed interest rates to qualified borrowers who are unable to obtain credit elsewhere. Borrowers may qualify for payment subsidies that lower their monthly payments to the greater of (1) a principal, interest, tax, and insurance payment of no more than 24% of the borrower's income or (2) a loan payment based on a 1% interest rate, plus taxes and insurance.<sup>28</sup>

**Statutory Authority:** Title V, Section 502 of the Housing Act of 1949; 42 U.S.C. §1472.

**Financing:** Direct loans are provided to home purchasers. Interest rates are fixed at rates set by USDA,<sup>29</sup> but payment subsidies can reduce effective interest rates to as low as 1%. Loan amounts may be up to 100% of the property's market value or an area loan limit, whichever is less.<sup>30</sup> No down payment is generally required.<sup>31</sup> In general, the maximum loan term is 33 years; certain borrowers with incomes below 60% of area median income may qualify for a loan term as long as 38 years.<sup>32</sup>

<sup>26</sup> Certain single-family housing activities carried out by RHS are not described in this report; namely, single-family credit sales and Section 509 construction defects funding. The single-family housing credit sales program allows RHS to make Section 502 direct loans on non-program terms to certain purchasers of properties that USDA owns as a result of foreclosures on RHS mortgages. The Section 509 construction defects program provides grants for certain Section 502 borrowers with newly constructed properties to address construction defects; new appropriations have not been provided for the construction defects program in several years, but carryover funding has been available.

<sup>27</sup> Eligible loan purposes are described at 7 C.F.R. Section 3550.52. Refinancing is also an eligible loan purpose in certain specified circumstances. Current homeowners are generally not eligible for loans except under certain circumstances described in 7 C.F.R. Section 3550.53(d).

<sup>28</sup> 7 C.F.R. §3550.68. Borrowers' incomes are to be reviewed annually to determine continued eligibility for payment subsidies, and the subsidies are subject to recapture when the borrower transfers title to the property or no longer occupies the home. Different types of payment subsidies have been used in the past, but the type of assistance described in the text has been used for borrowers who newly qualify for payment assistance since 2008. See USDA, RHS, "Single Family Housing Loans, Payment Assistance," 72 *Federal Register* 73252-73256, December 27, 2007.

<sup>29</sup> 7 C.F.R. §3550.66. Currently, the interest rate is set at 2.5%. See RD Instruction 440.1, Exhibit B, [https://www.rd.usda.gov/sites/default/files/04401\\_5.pdf](https://www.rd.usda.gov/sites/default/files/04401_5.pdf).

<sup>30</sup> 7 C.F.R. §3550.63. In certain circumstances, the allowable loan amount may be higher or lower than 100% of market value. The area loan limit is set as a percentage of the FHA's maximum mortgage amounts as determined by RHS (currently, 80% of the FHA maximum mortgage amounts for the area). For the dollar amounts of the loan limits in a given area, see <https://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf>.

<sup>31</sup> 7 C.F.R. §3550.64. While no down payment is generally required, borrowers with assets above a certain threshold are to use such assets for a down payment.

<sup>32</sup> 7 C.F.R. §3550.67. While loan terms can be less than the maximum allowed, the RHS loan originator must consider the effect that a shorter repayment period would have on the amount of payment subsidy a borrower could be eligible to receive (i.e., a shorter loan term could result in a higher payment subsidy). Loans with terms of less than 25 years cannot receive payment subsidy. See USDA Handbook HB-1-3550, p. 6-14, <https://www.rd.usda.gov/files/hb-1-3550.pdf>. Shorter maximum loan terms apply for smaller loan amounts and manufactured homes.

**Eligibility Criteria:** Borrowers must be either very low-income or low-income when the loan is approved.<sup>33</sup> (At least 40% of loan funds each year must be made available for very low-income households.<sup>34</sup>) Borrowers must also be unable to obtain credit elsewhere on reasonable terms, but be able to demonstrate an ability to repay the Section 502 loan.<sup>35</sup> The home purchased with the loan must be modest in size, design, and cost,<sup>36</sup> and the home must be used as the borrower’s primary residence.<sup>37</sup> Current homeowners are generally ineligible except under certain circumstances, including if their current home is physically inadequate.<sup>38</sup>

**Table 1. Section 502 Single Family Housing Direct Loans, Recent Program Activity**

Fiscal Year	Loan Obligations (\$ in millions)	Number of Loans
2021	\$1,001.1	5,355
2020	\$1,001.4	5,821
2019	\$1,001.6	6,194
2018	\$1,100.8	7,199
2017	\$1,000.0	7,187

**Source:** Data are taken from the Housing Assistance Council’s (HAC’s) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC’s tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>. HAC is a national nonprofit organization that provides financial and technical assistance, research, and advocacy in support of rural housing.

### Section 502 Single Family Housing Guaranteed Loans

Through this program, RHS guarantees loans made by approved private lenders to eligible low- and moderate-income households to purchase homes to be used as principal residences. Loan funds can be used for costs of acquisition, repairs, or relocation of an existing home or construction of a new home.<sup>39</sup>

**Statutory Authority:** Title V, Section 502(h) of the Housing Act of 1949; 42 U.S.C. §1472(h).

**Financing:** Loan guarantees are provided to private lenders making loans to eligible borrowers. The federal government guarantees 90% of the loan principal<sup>40</sup> as an encouragement to private lenders to make loans to eligible rural residents who would otherwise be unable to obtain credit. Borrowers pay upfront fees and annual guarantee fees, currently set at 1% and 0.35%,

<sup>33</sup> 7 C.F.R. §3550.53(a). The current low- and very low-income limits in specific areas are available at <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>.

<sup>34</sup> 42 U.S.C. §1472(d).

<sup>35</sup> 7 C.F.R. §3550.53(g) and (h).

<sup>36</sup> 7 C.F.R. Section 3550.57 describes modest dwelling requirements, and, as noted earlier, the property value cannot exceed an area loan limit as described at 7 C.F.R. §3550.63.

<sup>37</sup> 7 C.F.R. §3550.53(c).

<sup>38</sup> 7 C.F.R. §3550.53(d).

<sup>39</sup> 7 C.F.R. §3555.101. Refinancing is also an eligible loan purpose in certain specified circumstances.

<sup>40</sup> 42 U.S.C. §1472(h)(2).

respectively.<sup>41</sup> These fees help cover the costs of loan defaults.<sup>42</sup> Loan terms cannot exceed 30 years and have fixed interest rates negotiated by the lender and the borrower.<sup>43</sup> Loan amounts can be up to 100% of the property’s market value or acquisition costs, whichever is less, plus the guarantee fee.<sup>44</sup> No down payment is required.

**Eligibility Criteria:** Borrowers must have incomes no higher than the moderate-income limit.<sup>45</sup> The home must be modest, decent, safe, and sanitary,<sup>46</sup> and used by the borrower as a principal residence.<sup>47</sup> Borrowers must be unable to obtain traditional mortgage credit, but be able to demonstrate an ability to repay the Section 502 loan.<sup>48</sup>

**Table 2. Section 502 Single Family Housing Guaranteed Loans, Recent Program Activity**

Fiscal Year	Loan Obligations (\$ in millions)	Number of Loans
2021	\$22,726.1	127,389
2020	\$23,074.6	137,970
2019	\$14,865.9	99,322
2018	\$16,826.4	115,864
2017	\$19,280.0	134,071

**Source:** Data are from the Housing Assistance Council’s (HAC’s) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC’s tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

### Section 504 Very Low-Income Rural Housing Repair Loans and Grants

This program provides loans and grants to very low-income homeowners to make repairs or improvements to their properties. To qualify for a grant (rather than a loan), applicants must also be age 62 or older. Grant funds can only be used to remove health and safety hazards or to make properties accessible to household members with disabilities, while loan funds can also be used for more general repairs or improvements.

**Statutory Authority:** Title V, Section 504 of the Housing Act of 1949; 42 U.S.C. §1474.

<sup>41</sup> 42 U.S.C. Section 1472(h)(8) allows USDA to charge an upfront fee of no more than 3.5% and an annual fee of no more than 0.5%. The current fees are described in RD Instruction 440.1, Exhibit K, [https://www.rd.usda.gov/sites/default/files/04401\\_5.pdf](https://www.rd.usda.gov/sites/default/files/04401_5.pdf).

<sup>42</sup> Since FY2011, no budget authority has been required to cover the costs of Section 502 loan guarantees in annual appropriations acts, as the fees charged to borrowers are expected to cover the costs of loan defaults under the program.

<sup>43</sup> 42 U.S.C. §1472(h)(7).

<sup>44</sup> 42 U.S.C. §1472(h)(7)(C) and 7 C.F.R. §3555.103.

<sup>45</sup> 42 U.S.C. §1472(h)(3). 7 C.F.R. Section 3555.10 defines *moderate income* as the greater of (1) 115% of the U.S. median family income, (2) the average of the statewide and state non-metro median family income, or (3) 115/80ths of the low-income limit for the county or metropolitan statistical area where the housing is located. The current moderate-income limits in specific areas are available at <https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf>.

<sup>46</sup> 7 C.F.R. §3555.151(d). Specific requirements that new and existing dwellings must meet are described at 7 C.F.R. Section 3555.202.

<sup>47</sup> 7 C.F.R. §3555.151(c).

<sup>48</sup> 7 C.F.R. §3555.151(h) and (j).

**Financing:** Direct loans and grants are provided to eligible homeowners. Loan and grant amounts cannot exceed maximum amounts set by RHS.<sup>49</sup> Loans have interest rates of 1% and have loan terms of 20 years.<sup>50</sup>

**Eligibility Criteria:** Very low-income rural residents who own and occupy a dwelling in need of repair are eligible for assistance. A homeowner must be unable to obtain affordable credit elsewhere, but must demonstrate a reasonable ability to repay the Section 504 loan.<sup>51</sup> Grants are limited to very low-income homeowners age 62 and older<sup>52</sup> and support the removal of health or safety hazards.<sup>53</sup>

**Table 3. Section 504 Very Low-Income Rural Housing Repair Loans and Grants, Recent Program Activity**

Fiscal Year	Loans		Grants	
	Loan Obligations (\$ in millions)	Number of Loans	Obligations (\$ in millions)	Number of Grants
2021	\$14.8	2,289	\$24.6	3,709
2020	\$16.6	2,739	\$31.5	4,842
2019	\$17.4	2,735	\$24.8	3,908
2018	\$19.8	3,225	\$28.2	4,585
2017	\$19.6	3,431	\$28.9	4,763

**Source:** Data are from the Housing Assistance Council’s (HAC’s) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC’s tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

### Section 523 Mutual and Self-Help Housing Grants

This program provides grants to eligible nonprofit or government organizations to provide technical assistance to groups of low- and very low-income households that work cooperatively to build their houses using the self-help method. The self-help method involves homebuyers contributing their own labor—*sweat equity*—to the construction of the home to reduce the costs of homeownership. Mutual self-help refers to groups of families working together to build each other’s homes. Homebuyers who participate in the mutual self-help programs supported by

<sup>49</sup> 7 C.F.R. §3550.112. Previously, the maximum outstanding loan amount was \$20,000 and the maximum lifetime grant amount was \$7,500. A final rule published by RHS on February 7, 2022, with an effective date of March 9, 2022, revises these maximums to be an amount determined by RHS, up to certain specified percentages of the national average area loan limit. In the final rule, RHS states that it will use an initial loan maximum of \$40,000, and an initial grant maximum of \$10,000, in the program handbook. See USDA, RHS, “Direct Single Family Housing Loans and Grants Programs,” 87 *Federal Register* 6768, 6773, February 7, 2022, <https://www.federalregister.gov/documents/2022/02/07/2022-02470/direct-single-family-housing-loans-and-grants-programs>.

<sup>50</sup> 7 C.F.R. §3550.113. Previously, the maximum loan term was 20 years, though the regulations specified that loan terms should be as short as possible based on the borrower’s ability to repay the loan. The final rule published by RHS on February 7, 2022, with an effective date of March 9, 2022, revises this section of the regulations to provide that all Section 504 loans will have a term of 20 years. See 87 *Federal Register* 6768, 6773.

<sup>51</sup> 7 C.F.R. §3550.103.

<sup>52</sup> 7 C.F.R. §3550.103.

<sup>53</sup> 7 C.F.R. §3550.102.

Section 523 grants often use Section 502 direct loans to purchase the homes,<sup>54</sup> although other types of mortgages are also used.

**Statutory Authority:** Title V, Section 523 of the Housing Act of 1949; 42 U.S.C. §1490c.

**Financing:** Grants are provided to eligible organizations, and uses of grant funds include rent, other office expenses, and other qualifying costs of the participating organizations, as well as the purchase or rental of power or specialty tools for participating households to use.<sup>55</sup> Funds may not be used to purchase real estate or other property for participating families, hire personnel to perform construction work, or pay costs or debts of participating families, among other prohibited uses.<sup>56</sup>

**Eligibility Criteria:** Private and government nonprofit organizations (including Indian tribes) with relevant capacity are eligible.<sup>57</sup> Grantees provide technical and supervisory assistance in support of mutual self-help homeownership programs for very low- and low-income households.

**Table 4. Section 523 Mutual and Self-Help Housing Grants, Recent Program Activity**

Fiscal Year	Obligations (\$ in millions)	Number of Grants
2021	\$31.9	51
2020	\$32.8	55
2019	\$29.0	37
2018	\$34.8	47
2017	\$36.6	52

**Source:** Data are from the Housing Assistance Council's (HAC's) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC's tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

### Section 523 Self-Help Housing Land Development Loans

This program provides funds to eligible private and public nonprofit organizations to purchase and develop building sites for housing for participants in self-help housing programs. The nonprofit organizations resell these improved sites to program participants or eligible organizations at cost.<sup>58</sup> The interest rate on the loans is 3%, and the nonprofit organizations repay the loans when they sell these properties.

**Statutory Authority:** Title V, Section 523(b)(1)(B) of the Housing Act of 1949; 42 U.S.C. §1490c(b)(1)(B).

**Financing:** Two-year direct loans with 3% interest rates are provided to eligible organizations that purchase and develop building sites.<sup>59</sup>

<sup>54</sup> A share of Section 502 direct loan funds are typically set aside to be used for participants in these self-help housing programs.

<sup>55</sup> 14 C.F.R. §1944.405.

<sup>56</sup> 7 C.F.R. §1944.406.

<sup>57</sup> 7 C.F.R. §1944.404 and 7 C.F.R. §1944.403(j).

<sup>58</sup> 7 C.F.R. §1822.275.

<sup>59</sup> 42 U.S.C. §1490c(b)(1)(B).

**Eligibility Criteria:** Qualified private and public nonprofit organizations are eligible.<sup>60</sup> Public nonprofit agencies include municipal corporations and other corporate agencies of state or local governments.<sup>61</sup> Section 523 loans are made to acquire and develop sites only for housing constructed by the self-help method.

Despite the continued availability of loan authority and appropriations to support Section 523 site loans, no loans have been made under this program for the past five fiscal years (FY2017 to FY2021).<sup>62</sup> In the past, USDA has suggested that demand for the program is low in part because of the two-year loan term and the requirement that loans be used to support self-help homeownership.<sup>63</sup>

### Section 524 Site Development Loans

This program is similar to the Section 523 land development loan program but is used to purchase and develop building sites for low- or moderate-income households more generally, not just self-help participants.

**Statutory Authority:** Title V, Section 524 of the Housing Act of 1949; 42 U.S.C. §1490d.

**Financing:** Two-year direct loans<sup>64</sup> with interest rates set by RHS are provided to eligible organizations that purchase and develop building sites.<sup>65</sup>

**Eligibility Criteria:** Like Section 523 loans, qualified private and public nonprofit organizations are eligible.<sup>66</sup> Section 524 loans can be used to acquire and develop sites for housing for low- or moderate-income households, and are not restricted to those participating in self-help housing programs.<sup>67</sup>

Like the Section 523 site loan program, the Section 524 program is not in high demand; as of the date of this report, there have been two loans made under this program in the last five fiscal years (FY2017 to FY2021).

**Table 5. Section 524 Site Development Loans, Recent Program Activity**

Fiscal Year	Loan Obligations (\$ in millions)	Number of loans
2021	\$0	0
2020	\$0	0
2019	\$1.9	1
2018	\$0	0
2017	\$0.4	1

<sup>60</sup> 7 C.F.R. §1822.264.

<sup>61</sup> 7 C.F.R. §1822.263.

<sup>62</sup> USDA, *2022 USDA Explanatory Notes – Rural Housing Service*, p. 31-16, <https://www.usda.gov/sites/default/files/documents/31RHS2022Notes.pdf>.

<sup>63</sup> For example, see page 29-27 of USDA’s FY2015 budget justification, <https://www.usda.gov/sites/default/files/documents/29rhs2015notes.pdf>.

<sup>64</sup> 42 U.S.C. §1490d(a)(1).

<sup>65</sup> 42 U.S.C. §1490d(a)(1) and 7 C.F.R. §1822.268(a). Currently, the interest rate is set at 2.5%. See RD Instruction 440.1, Exhibit B, [https://www.rd.usda.gov/sites/default/files/04401\\_5.pdf](https://www.rd.usda.gov/sites/default/files/04401_5.pdf).

<sup>66</sup> 7 C.F.R. §1822.264.

<sup>67</sup> 42 U.S.C. §1490d(a)(1).



**Source:** Data are from the Housing Assistance Council's (HAC's) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC's tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

## Multifamily Rental Housing Programs

### Sections 514 and 516 Farm Labor Housing Direct Loans and Grants

This is the only federal program to subsidize housing specifically for domestic farm laborers, including permanent, year-round, migrant, or seasonal farm laborers. Unlike other RHS programs, the funding for the Farm Labor Housing Programs may be used for housing development in non-rural areas, in order to house nearby agricultural labor.<sup>68</sup> Section 514 loans may be used to buy, build, improve, or repair housing (including furnishings and related facilities)<sup>69</sup> for farm laborers. Loans may be used for on-farm housing (i.e., loans taken out by owners of farms to build housing on their properties for their laborers), but the majority of Section 514 funds are used for off-farm housing (i.e., loans to organizations that build housing in a community for local farm laborers).<sup>70</sup> Section 516 grants are awarded in conjunction with Section 514 loans to finance affordable, off-farm rental housing to low-income farm laborers.<sup>71</sup> Farm Labor Housing properties may also receive rental assistance through the Section 521 program.

**Statutory Authority:** Title V, Sections 514 and 516 of the Housing Act of 1949; 42 U.S.C. §1484<sup>72</sup> and §1486.

**Financing:** Section 514 direct loans are provided to eligible borrowers for the development of on-farm or off-farm housing for farm laborers. The loans have an interest rate capped at 1%<sup>73</sup> and a maximum repayment term of 33 years.<sup>74</sup> Section 516 grants are awarded to recipients of Section 514 loans for off-farm properties and are capped at no greater than 90% of development costs for Section 514 properties.<sup>75</sup>

**Eligibility Criteria:** In order to be eligible to live in farm labor housing, a person must be a domestic farm laborer,<sup>76</sup> immediate family of a farm laborer, or a retired or disabled farm laborer.<sup>77</sup> They must be U.S. citizens, permanent residents, or legally admitted to the United

<sup>68</sup> 7 C.F.R. §3560.1(a)(2).

<sup>69</sup> 42 U.S.C. §1484(f)(1)-(2).

<sup>70</sup> According to email communication between CRS and USDA, RHS does not currently have a specific set-aside for on-farm loans, and any applications are reviewed as they are received. From FY2017 to FY2021, on-farm loans accounted for between 0% and 9% of Section 514 loan dollars obligated in a given year.

<sup>71</sup> 42 U.S.C. §1486.

<sup>72</sup> 42 U.S.C. §1484 authorizes the Secretary of Agriculture to make guaranteed loans under the Farm Labor Housing program. However, 42 U.S.C. Section 1487(b), which governs the Rural Housing Insurance Fund (the account used to fund the program), authorizes the Secretary to make direct loans under the program.

<sup>73</sup> 42 U.S.C. §1484(a)(2).

<sup>74</sup> 7 C.F.R. §3566(a).

<sup>75</sup> 42 U.S.C. §1486(a)(2).

<sup>76</sup> *Domestic farm laborers* are defined as persons who receive a substantial portion of their income from the primary production of agricultural and aquacultural commodities and the handling and processing of such commodities in the United States or its territories; 42 U.S.C. §1484(f)(3) and 7 C.F.R. §3560.11. (The 2008 farm bill amended the law to include aquaculture workers and workers in commodity processing facilities.)

<sup>77</sup> 42 U.S.C. §1484(f)(3).



States and authorized to work in agriculture (i.e., H-2A visa holders).<sup>78</sup> If there is a diminished need for farm labor housing, off-farm labor housing properties may serve tenants who would be eligible under the Section 515 program (see below).<sup>79</sup>

Section 514 direct loans are available to farm owners, Indian tribes, farmer associations, public bodies, and nonprofit organizations.<sup>80</sup> Section 516 grants are available only to governments, Indian tribes, or nonprofit organizations and are awarded in conjunction with Section 514 loans.<sup>81</sup>

**Table 6. Sections 514 and 516 Farm Labor Housing Direct Loans and Grants, Recent Program Activity**

Fiscal Year	Section 514		Section 516	
	Loan Obligations (\$ in millions)	Number of Loans	Obligations (\$ in millions)	Number of Grants
2021	\$3.1	2	\$1.6	1
2020	\$20.1	15	\$8.9	7
2019	\$20.0	17	\$8.7	7
2018	\$35.5	19	\$17.2	12
2017	\$34.9	21	\$8.2	6

**Source:** Data are from the Housing Assistance Council’s (HAC’s) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC’s tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

**Note:** Section 514 data include both on-farm and off-farm loans. According to an email from USDA to CRS, on-farm loans and obligations during this period were as follows: FY2021: one loan, \$84,000; FY2020: five loans, \$1.8 million; FY2019: five loans, \$1.3 million; FY2018: zero loans funded; FY2017: two loans, \$253,056.

### Section 515 Rural Multifamily Rental Housing Direct Loans

The Section 515 multifamily housing program offers direct loans for the development of new, or rehabilitation of existing, rental housing for low-income individuals and families in rural areas. The properties developed with these loans often also receive rental assistance, commonly through the Section 521 Rental Assistance Program and in some cases through HUD’s Section 8 project-based rental assistance program. With rental assistance, tenants pay a maximum of 30% of their income toward rent and utilities; without assistance, tenants pay a “basic rent,” which is based on the amount needed to cover expenses in the project’s approved budget (including the Section 515 loan payment).<sup>82</sup> RHS has not issued loans for the development of new units of Section 515 housing since FY2011; instead, all loan authority each year is used to support the preservation of existing Section 515 properties, through either refinancing existing loans or facilitating purchases of existing properties by entities committed to preserving them as affordable housing.

<sup>78</sup> Temporary agricultural workers were ineligible for Farm Labor Housing until 2018, when P.L. 115-141 revised the statutory definition of eligibility to include them.

<sup>79</sup> 7 C.F.R. §3560.576(e).

<sup>80</sup> 42 U.S.C. §1484(a).

<sup>81</sup> 42 U.S.C. §1486(a).

<sup>82</sup> 7 C.F.R. §3560.203.

**Statutory Authority:** Title V, Section 515 of the Housing Act of 1949; 42 U.S.C. §1485.<sup>83</sup>

**Financing:** This program provides direct subsidized interest loans to eligible borrowers at a 1% interest rate, amortized over the lesser of the economic life of the property being financed or 50 years, and repaid over a 30-year term, with the remaining balance due in a lump sum at the end of the repayment term.<sup>84</sup>

**Eligibility Criteria:** Very low- to moderate-income families are eligible; some properties may be designated specifically for persons who are elderly. Assistance for very low-income households must be prioritized.<sup>85</sup> Loans are offered to for-profit and nonprofit organizations, as well as state and local government entities and Indian tribes.<sup>86</sup>

**Table 7. Section 515 Rural Multifamily Rental Housing Direct Loans, Recent Program Activity**

Fiscal Year	Loan Obligations (\$ in millions)	Number of Loans
2021	\$37.4	44
2020	\$40.0	40
2019	\$101.5	85
2018	\$42.6	35
2017	\$35.0	31

**Source:** Data are from the Housing Assistance Council's (HAC's) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC's tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

## Section 521 Rural Rental Assistance

This program provides rental assistance to Section 515 and Section 514 off-farm properties to subsidize the rents of eligible tenants. Tenants living in units with Section 521 assistance pay 30% of their income towards their rent and the program pays the property owner an amount to cover the difference between the tenant contribution and the basic rent for the unit.

**Statutory Authority:** Title V, Section 521(a)(2) of the Housing Act of 1949; 42 U.S.C. §1490a.

**Financing:** RHS makes rental payments under the terms of contracts it has with property owners. Funding is first directed to renewing existing rental assistance contracts. Remaining funds are then awarded for expansions of existing contracts to cover additional units in existing properties and new contracts for newly constructed or acquired properties.<sup>87</sup>

**Eligibility Criteria:** Owners of properties with Section 515 and Section 514 off-farm loans may request rental assistance funding from RHS to the extent appropriations are available. Tenants who are eligible to live in the properties are eligible for rental assistance. In cases where rental

<sup>83</sup> 42 U.S.C. Section 1485 authorizes the Secretary of Agriculture to make guaranteed loans under the Rural Rental Housing program. However, 42 U.S.C. Section 1487(b), which governs the Rural Housing Insurance Fund (the account used to fund the program), authorizes the Secretary to make direct loans under the program.

<sup>84</sup> 7 C.F.R. §3560.67. Until 1997, Section 515 loan terms were 40 to 50 years.

<sup>85</sup> 42 U.S.C. §1485(p); 7 C.F.R. §3560.154.

<sup>86</sup> 42 U.S.C. §1485(b); 7 C.F.R. §3560.55.

<sup>87</sup> 7 C.F.R. §3560.255.

assistance in a property is limited (i.e., not all units receive rental assistance), owners must offer priority for assistance to very low-income tenants.<sup>88</sup>

**Table 8. Section 521 Rural Rental Assistance, Recent Program Activity**

Fiscal Year	Obligations (\$ in millions)	Units
2021	\$1,507.8	283,781
2020	\$1,375.0	241,208
2019	\$1,331.4	252,319
2018	\$1,345.3	268,514
2017	\$1,365.0	302,451

**Source:** Data are from the Housing Assistance Council’s (HAC’s) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC’s tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

### Section 538 Multifamily Housing Guaranteed Loans

This program provides a federal guarantee for certain loans to finance the construction, acquisition, and rehabilitation of multifamily housing for low- to moderate-income residents. Borrowers of Section 528 guaranteed loans are restricted in the rents they can charge to tenants.<sup>89</sup> Loans are commonly used to revitalize existing Section 515 properties; such use has accounted for approximately half of all loans in recent years.<sup>90</sup>

**Statutory Authority:** Title V, Section 538 of the Housing Act of 1949; 42 U.S.C. §1485.

**Financing:** The program provides loan guarantees on eligible loans issued to eligible borrowers by certified lenders.<sup>91</sup> For nonprofit and public borrowers, the program covers 97% loan-to-value (LTV) ratios; for for-profit entities, the maximum LTV is 90%.<sup>92</sup> The cost of the program is supported by guarantee fees, currently set at 1% upfront and 0.5% annually thereafter.<sup>93</sup>

**Eligibility Criteria:** Tenants must be low- to moderate-income households upon initial occupancy.<sup>94</sup> Borrowers may be for-profit or nonprofit entities, public bodies, or Indian tribes.<sup>95</sup>

<sup>88</sup> 7 C.F.R. §3560.257.

<sup>89</sup> “The rent for any individual housing unit, including any tenant-paid utilities, must not exceed an amount equal to 30 percent of 115 percent of area median income, adjusted for family size. In addition, on an annual basis, the average rent for a project, taking into account all individual unit rents, must not exceed 30 percent of 100 percent of area median income, adjusted for family size”; 7 C.F.R. §3565.203.

<sup>90</sup> See 2022 USDA Explanatory Notes – Rural Housing Service, pg. 31-15, available at <https://www.usda.gov/sites/default/files/documents/31RHS2022Notes.pdf>.

<sup>91</sup> 7 C.F.R. §3565.52(c).

<sup>92</sup> 7 C.F.R. §3565.204.

<sup>93</sup> Previously, these fee amounts were set in regulation. In December 2020, USDA published a final rule amending its regulations to remove the specific fee levels and to allow the agency to establish fees periodically via notice published in the *Federal Register*. See USDA, RHS, “Guaranteed Rural Rental Housing Change in Initial Guarantee Fee and Annual Guarantee Fee,” 85 *Federal Register* 77985-77987, December 3, 2020.

<sup>94</sup> 7 C.F.R. §3565.202.

<sup>95</sup> 42 U.S.C. §1485(b); 7 C.F.R. §3565.151.

**Table 9. Section 538 Multifamily Housing Guaranteed Loans, Recent Program Activity**

Fiscal Year	Loan Obligations (\$ in millions)	Number of loans
2021	\$230.0	96
2020	\$228.5	150
2019	\$160.4	90
2018	\$185.6	132
2017	\$177.0	106

**Source:** Data are from the Housing Assistance Council's (HAC's) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC's tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

### Section 542 Rural Development Vouchers

This program, first funded in 2006, provides rental assistance vouchers to eligible tenants facing displacement from Section 515 properties that have exited the program (via prepayment or default) before their loan maturity date. Modeled after HUD's Housing Choice Voucher (HCV) program, the vouchers subsidize the difference between tenants' rent contributions and the market rent for the area.<sup>96</sup> The voucher can be used to allow the tenant to remain in the existing (formerly subsidized) property or to move to a different property selected by the tenant.<sup>97</sup>

**Statutory Authority:** Title V, Section 542 of the Housing Act of 1949; 42 U.S.C. §1490r.

**Financing:** RHS directs rental payments to landlords on behalf of voucher recipients. Vouchers are issued to eligible tenants by RHS based on Section 515 prepayment requests by property owners and property foreclosures, as applicable.

**Eligibility Criteria:** Tenants must be low-income (income at or below 80% of median income for the area) and residing in a Section 515 property on the date of prepayment or foreclosure.

**Table 10. Section 542 Rural Development Vouchers, Recent Program Activity**

Fiscal Year	Obligations (\$ in millions)	Vouchers
2021	\$34.6	7,261
2020	\$34.5	7,489
2019	\$28.6	6,559
2018	\$26.7	6,353
2017	\$22.0	5,609

<sup>96</sup> Section 542 voucher subsidy amounts are established differently than those in HUD's HCV program. They are set based on a tenant's rent contribution at the time of prepayment or foreclosure of the Section 515 property and market rents at the time. Thereafter, the amount is fixed and will not increase based on decreases in tenant incomes or increases in rent (although RD may reduce the voucher amount if the tenant moves to a lower cost rental unit). See Chapter 4 of USDA RD's "Rural Development Voucher Program Guide," September 2010.

<sup>97</sup> USDA has not published regulations governing this program. Program guidance is included in USDA, RHS, "Rural Development Voucher Program," 82 *Federal Register* 21972, May 11, 2017; and USDA RD, "Rural Development Voucher Program Guide," September 2010.

**Source:** Data are from the Housing Assistance Council's (HAC's) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC's tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

## Multifamily Housing Preservation and Revitalization (MPR) Demonstration

The Multifamily Housing Preservation and Revitalization (MPR) Demonstration program was created in the FY2006 annual appropriations law (P.L. 109-97) to support the preservation of Section 515 and Section 514 off-farm properties as affordable housing as they age or near the end of their loan terms and affordability restrictions. The program provides RHS with preservation funding tools including debt deferral, subordinate or soft second loans, 0% loans, and grants to address an existing Section 515 or Section 514 project's health and safety needs. Properties receiving this assistance agree to extended affordability periods.

**Statutory Authority:** The program has never been formally authorized; authority is provided in annual appropriations acts.

**Financing:** RHS makes grants and loans, including loan modifications, to restructure the debt of existing Section 515 and Section 514 borrowers.

**Eligibility Criteria:** Owners of properties financed with Section 515 or Section 514 loans can apply for assistance; RHS maintains a waiting list for assistance.

**Table 11. MPR Demonstration, Recent Program Activity**

Fiscal Year	MPR Loans		MPR Grants	
	Loan Obligations (\$ in millions)	Number of Loans	Obligations (\$ in millions)	Number of Grants
2021	\$89.2	142	\$0.4	3
2020	\$57.1	80	\$0.3	5
2019	\$130.3	205	\$1.0	3
2018	\$116.0	186	\$0.3	2
2017	\$26.8	33	\$0.1	3

**Source:** Data are from the Housing Assistance Council's (HAC's) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC's tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

## Other Programs

### Section 533 Housing Preservation Grants

This program provides funding to qualified entities to provide housing repair and rehabilitation assistance to very low- and low-income homeowners and to rental property owners whose tenants are very low- and low-income households. Eligible repair and rehabilitation activities include, but are not limited to, installing or repairing water and waste disposal systems, replacing a roof, repairing or replacing heating systems, energy conservation measures, alterations to provide

greater accessibility for people with disabilities, and housing replacement activities (for homeowners only) under certain circumstances.<sup>98</sup>

**Statutory Authority:** Title V, Section 533 of the Housing Act of 1949; 42 U.S.C. §1490m.

**Financing:** Grants are provided to nonprofit organizations and other eligible entities. Grantees provide assistance through loans or grants to qualified homeowners or rental property owners.<sup>99</sup>

**Eligibility Criteria:** Grants are made to nonprofit organizations, government entities, Indian tribes, and consortia of eligible grantees that meet certain conditions, including having relevant background and experience.<sup>100</sup> Assisted homeowners must be low- or very low-income, own a property in need of assistance, and have owned the property for at least one year and intend to continue residing in it.<sup>101</sup> Assisted rental or cooperative property owners must own a property in need of assistance where the current or intended tenant is very low- or low-income.<sup>102</sup>

**Table 12. Section 533 Housing Preservation Grants, Recent Program Activity**

Fiscal Year	Obligations (\$ in millions)	Number of Grants
2021	\$13.5	115
2020	\$15.6	126
2019	\$14.5	130
2018	\$10.8	143
2017	\$4.9	107

**Source:** Data are from the Housing Assistance Council’s (HAC’s) USDA Rural Development Housing Activity monthly obligation reports. These reports contain HAC’s tabulations of data reported by RHS. September reports for each year were used to reflect activity for the full fiscal year. Reports are available at <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

## Selected Issues and Trends

### Multifamily Rural Housing Preservation

Over time, the multifamily housing financed through the Section 515 and Section 514 programs may be at risk of loss to the affordable housing stock. This can happen because the mortgage is ending through early prepayment, agency enforcement actions, or natural maturation—any of which can terminate affordability restrictions, leading to tenant displacement and loss of affordable housing in a community.<sup>103</sup>

<sup>98</sup> Eligible activities are listed at 7 C.F.R. Section 1944.664. Additional requirements related to replacement housing are at 7 C.F.R. Section 1944.659.

<sup>99</sup> 42 U.S.C. §1490m(b).

<sup>100</sup> 7 C.F.R. §1944.658 and 7 C.F.R. §1944.656.

<sup>101</sup> 7 C.F.R. §1944.661.

<sup>102</sup> 7 C.F.R. §1944.662.

<sup>103</sup> Not all owners have the right to prepay their loans. Congress amended the law to prohibit prepayment of loans made after December 15, 1989. (P.L. 101-235 §206).

## Background

Initial rural housing preservation concerns centered on owners' ability to prepay their loans and exit the programs. Up until the late 1970s, there were no restrictions on loan repayment and there were concerns particularly about for-profit owners exiting the programs before the end of their 40- to 50-year loan terms, at which point affordability restrictions ended. In response, several laws were enacted to restrict borrowers' ability to prepay, and change the terms of the programs so that later loans (those made after 1989) were ineligible for prepayment. For properties at risk of prepayment, these laws directed USDA to offer incentives to owners to remain in the programs or sell to preservation-focused purchasers; enacted various notification and first purchase right requirements; and authorized and then funded rental housing vouchers, under the Section 542 program, for tenants facing displacement upon owner prepayment (or mortgage foreclosure).<sup>104</sup>

Over time, concerns began to grow about the physical and financial condition of aging rural multifamily assisted housing properties. A report issued by USDA in 2004 found that no Section 515 properties had adequate reserves or sufficient cash flow to do needed repairs or meet maintenance needs over time.<sup>105</sup> These properties risk falling into physical disrepair, which can both threaten the health and safety of residents, and put the property at risk of foreclosure. In response to these concerns, the FY2006 appropriations law (P.L. 109-97) created a new demonstration program for the preservation and revitalization of USDA multifamily rental housing properties (see the "Multifamily Housing Preservation and Revitalization (MPR) Demonstration" section above). The MPR program is intended to preserve Section 515 and Section 514 projects by funding their physical revitalization and extending their affordable use agreements. Under MPR, RHS can restructure existing loans, using debt deferral, soft second loans, 0% loans, and grants to preserve existing properties.

More recently, federal policymakers have focused attention on the issues of maturing Section 515 and Section 514 mortgages. When these loans mature, their affordability restrictions end and any Section 521 rental assistance contracts terminate. RHS has adopted some policies to encourage owners to refinance or otherwise re-amortize their mortgages in order to prevent maturations and extend use agreements, and to notify tenants when a loan is reaching maturation.<sup>106</sup> However, under current law, USDA lacks authority to renew Section 521 rental assistance contracts on properties that have matured mortgages, and Section 542 vouchers are only available for tenants facing displacement due to owner prepayment or default, not mortgage maturation.

Both Section 515 direct loans and Section 538 guaranteed loans have been used for preservation purposes, to refinance and/or fund the rehabilitation of existing Section 515 and Section 514 properties. As noted previously, since FY2012 RHS has used all of its new Section 515 direct loan authority each year to support the preservation of existing Section 515 properties, either through refinancing existing loans or facilitating preservation purchases of existing properties. In recent years, half of all new Section 538 authority has been used for Section 515 property preservation. These preservation transactions have increasingly involved the use of other federal resources, including the Low Income Housing Tax Credits (LIHTCs).

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<sup>104</sup> While the authority for Section 542 was added to the law in 1992 (P.L. 102-550, Title VII, §706(2)), the program was not funded until the FY2006 appropriations law.

<sup>105</sup> USDA, *Rural Rental Housing-Comprehensive Property Assessment and Portfolio Analysis: Final Study Report*, November 2004, prepared by ICF Consulting, available at [https://peerta.acf.hhs.gov/sites/default/files/public/uploaded\\_files/Rural%20Rental%20Housing\\_ICF.pdf](https://peerta.acf.hhs.gov/sites/default/files/public/uploaded_files/Rural%20Rental%20Housing_ICF.pdf).

<sup>106</sup> USDA, "Management of Loan Payoffs in Multi-Family Housing Properties," unnumbered letter, December 28, 2016, available at <https://www.rd.usda.gov/files/RDUL-Payoffs.pdf>.



Despite the creation of MPR and other preservation tools, a 2018 Government Accountability Office (GAO) report found that from 2014 to 2017, 60% of USDA rural rental properties (both Section 515 and Section 514) with maturing mortgages exited the program.<sup>107</sup> It further estimated that between 2028 and 2050, over 90% of RHS's assisted multifamily properties and units could exit the program via loan maturation or prepayment.<sup>108</sup> Additionally, the most recent capital needs assessment from USDA estimated that the inventory of Section 515 and Section 514/516 properties will need an additional \$5.6 billion to meet capital needs over the next 20 years.<sup>109</sup>

## Recent Policy Proposals

There have been numerous proposals from rural housing advocates and some Members of Congress to expand RHS's suite of preservation tools. These have included the following:

- *Addressing Section 521 contracts in properties with maturing Section 515 and Section 514 loans.* Currently, Section 521 rental assistance can only be provided for units in properties with active financing through one of these programs. Thus, when Section 515 or Section 514 mortgages mature, rental assistance contracts are terminated. Because Section 542 vouchers can only be offered when a mortgage is prepaid or defaults, tenants risk losing assistance when owners of properties pay off their mortgages. As more properties approach maturity, there has been interest in allowing Section 521 contracts to continue to prevent tenant displacement. GAO recommended decoupling Section 521 from the loan programs as one strategy to protect tenants, and legislation to allow for this decoupling has been introduced in Congress.
  - For example, in the 116<sup>th</sup> Congress both the Rural Housing Preservation Act of 2019 (S. 2567) and the Strategy and Investment in Rural Housing Preservation Act of 2019, which passed the House (H.R. 3620), proposed to authorize Section 521 decoupling. The latter bill was reintroduced in the 117<sup>th</sup> Congress as the Strategy and Investment in Rural Housing Preservation Act of 2021 (H.R. 1728).
- *Modifications to Section 542 vouchers.* There have been proposals to expand the use of Section 542 vouchers to serve tenants facing displacement due to loan maturation. Further, there have been calls to modify the assistance under Section 542 vouchers. Currently, appropriations provisions limit the value of the vouchers so that, unlike Section 521 rental assistance and HUD's HCV program, the subsidies cannot increase if tenant incomes decrease or rents increase.
  - For example, provisions to expand eligibility for Section 542 vouchers and enhance their value were included in H.R. 3620 in the 116<sup>th</sup> Congress, which was reintroduced in the 117<sup>th</sup> Congress (H.R. 1728).
- *Authorize MPR and increase funding for it and/or other resources to address physical deficits in aging multifamily properties.* The MPR program has never

<sup>107</sup> U.S. Government Accountability Office (GAO), *Rural Housing Service: Better Data Controls, Planning, and Additional Options Could Help Preserve Affordable Rental Units*, GAO-18-285, May 17, 2018, <https://www.gao.gov/products/gao-18-285>.

<sup>108</sup> GAO, *Rural Housing Service: Better Data Controls, Planning, and Additional Options Could Help Preserve Affordable Rental Units*, GAO-18-285, May 17, 2018, <https://www.gao.gov/products/gao-18-285>.

<sup>109</sup> USDA, *USDA Rural Development Multi-Family Housing Comprehensive Property Assessment*, March 1, 2016, available at <https://www.rd.usda.gov/sites/default/files/USDA-RD-CPAMFH.pdf>.



been formally authorized and demand for its assistance exceeds available funding each year.<sup>110</sup>

- The Build Back Better Act, as reported by the House Financial Service Committee, proposed \$4.36 billion in additional funding for new construction and various preservation and revitalization activities in Section 515 and Section 514/516 programs. The amount was reduced to \$1.8 billion in the version passed by the House (H.R. 5376).
- Over the past several Congresses, rural housing preservation legislation has been introduced that would formally authorize, and in some cases modify, the MPR program.
  - For example, see H.R. 3620 in the 116<sup>th</sup> Congress, which was reintroduced in the 117<sup>th</sup> Congress (H.R. 1728); and S. 2567 in the 116<sup>th</sup> Congress.

## **Trends in Section 502 Direct and Guaranteed Loans**

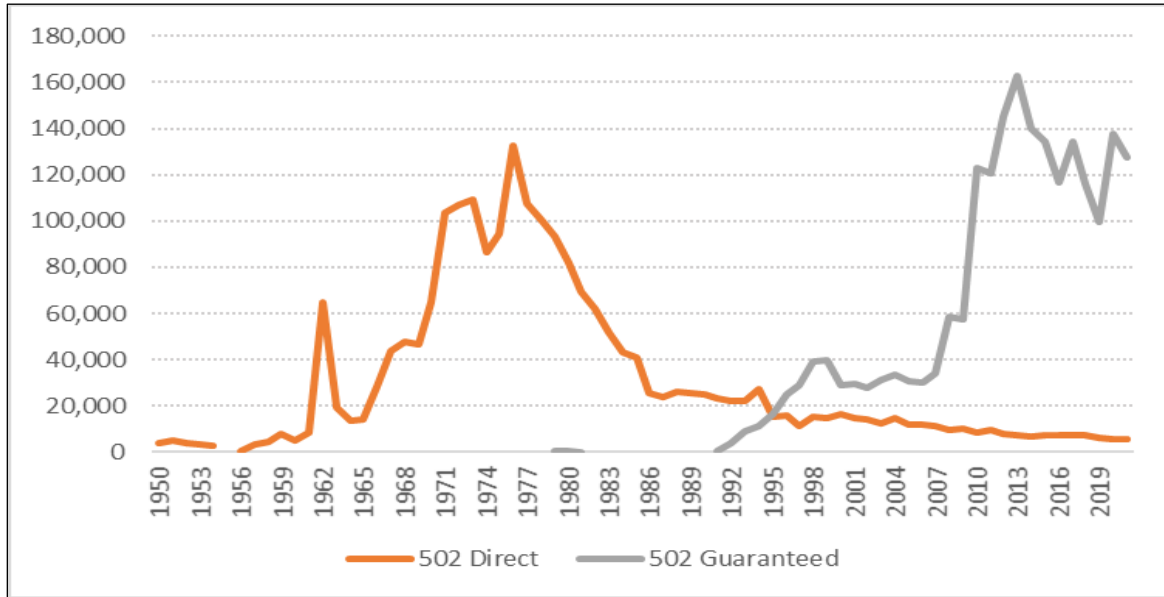
Over the last several decades, the number of loans made through the Section 502 Guaranteed Loan Program has increased while the number of loans made through the Section 502 Direct Loan Program has declined. As shown in **Figure 1**, the number of Section 502 direct loans made annually peaked in FY1976, at nearly 133,000, and then began to steadily decrease, falling further since the guaranteed loan program became permanent in the early 1990s.<sup>111</sup> Meanwhile, the number of guaranteed loans made each year has increased, peaking at nearly 163,000 in FY2013. In FY2021, USDA guaranteed about 127,000 Section 502 loans and made about 5,000 Section 502 direct loans.

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<sup>110</sup> During a hearing before the House Appropriations Committee, Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee, on May 6, 2021, acting RHS Administrator Chad Parker testified that the agency had a backlog of 171 projects that were “shovel-ready” for MPR preservation if funding were available; see <https://appropriations.house.gov/events/hearings/usda-rural-development-mission-area> (1:46:02).

<sup>111</sup> Section 706 of the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625) established the Section 502 Guaranteed Loan Program on a permanent basis following a temporary demonstration program in the late 1980s.

**Figure I. Number of New Section 502 Direct and Guaranteed Home Loans**



**Source:** Figure created by CRS using data from the Housing Assistance Council’s *USDA Rural Housing Programs Historic Activity Report through FY2018*, [https://ruralhome.org/wp-content/uploads/storage/documents/rd\\_obligations/historic/Historic.pdf](https://ruralhome.org/wp-content/uploads/storage/documents/rd_obligations/historic/Historic.pdf); and its *USDA Rural Development Housing Activity* monthly obligation reports for September of FY2019, FY2020, and FY2021, <https://ruralhome.org/information-center/usda-information-and-data/rd-recent-obligations/>.

**Notes:** Loan counts exclude direct and guaranteed loans funded through supplemental appropriations provided by the American Recovery and Reinvestment Act (P.L. 111-5) in 2009.

The growth in the number of guaranteed loans and decline in the number of direct loans in part reflects the cost of each program. The guaranteed program has long had a lower cost to the government than the direct loan program, and since FY2011 the guaranteed program has charged borrowers fees that are estimated to be sufficient to cover the costs of loan defaults and therefore has not required credit subsidy appropriations. (Appropriations are still provided for salaries and expenses related to administering the program.) The direct loan program does require credit subsidy appropriations, given the population it serves and the payment subsidy it provides. In FY2021, \$55.4 million in appropriations was provided to support up to \$1 billion in Section 502 direct loans.

At times, there have been proposals to eliminate the Section 502 Direct Loan Program. Most recently, Trump Administration budget requests proposed no funding for the direct loans, arguing that technological advances have increased access to credit in rural areas and that the guaranteed loan program could sufficiently serve rural needs.<sup>112</sup> Rural housing advocates argue that the direct loan program serves many borrowers who would not otherwise be able to qualify for a mortgage,

<sup>112</sup> For example, USDA’s FY2021 budget justifications stated that “rural areas once isolated from easy access to credit have shrunk as internet access and use has grown. Therefore, USDA is now in a position to utilize solely the guarantee program, and still achieve the Administration’s goals for rural housing at a lower cost to taxpayers.” See *2021 USDA Congressional Justification – Rural Housing Service*, p. 31-26, <https://www.usda.gov/sites/default/files/documents/29rhs2021notes.pdf>. Similar language was included in budget requests for FY2018-FY2020, which also proposed no funding for Section 502 direct loans.

even with a guarantee.<sup>113</sup> Advocates point to differences between the programs—such as the interest rate subsidy that many direct loan borrowers receive—as well as differences in the populations served by the direct and guaranteed programs. For example, in FY2019 Section 502 direct loan borrowers had an average income of \$35,220 compared to \$63,240 in the guaranteed loan program.<sup>114</sup> The Biden Administration’s FY2022 budget request proposed a loan authorization level of \$1.5 billion for direct loans (an increase from \$1 billion in FY2021), which it described as the first requested increase for the program in 20 years.<sup>115</sup>

## Proposals to Consolidate or Streamline Administration of Rural Housing and HUD Programs

There have long been questions raised about the future of RHS programs and the role they play in relation to each other and to other federal housing programs, particularly those administered by HUD.<sup>116</sup> Several RHS programs are structured similarly to corresponding HUD programs, though the details of the programs differ. For example, Section 502 Guaranteed Home Loans and Section 538 Guaranteed Rural Rental Housing Loans are broadly similar to FHA’s single-family and multifamily mortgage insurance programs. These other federal housing programs often serve a larger number of rural residents than the relatively smaller RHS programs.<sup>117</sup>

In other cases, there are more significant differences between RHS programs and other federal housing programs, including the types of assistance they provide and the activities they primarily support. For example, USDA provides direct loans to borrowers through several programs; HUD does not typically provide direct loans, but rather insures or guarantees loans made by private lenders. In addition, while certain activities such as home repairs or farm labor housing could be one of many eligible uses of some HUD program funds, there are RHS programs dedicated specifically to these activities.

In response to questions raised about the role of RHS programs, there have been various proposals to consolidate or streamline certain programs, including by moving them to HUD. For example, a 2011 discussion draft bill, the FHA-Rural Regulatory Improvement Act of 2011, included provisions to establish a Deputy Assistant Secretary for Rural Housing at HUD and transfer all of the RHS programs and functions to HUD.<sup>118</sup> While the bill was not formally

<sup>113</sup> See, for example, Leslie Strauss, “Loan Guarantees Are Not Enough,” *Shelterforce*, September 14, 2012, [https://shelterforce.org/2012/09/14/loan\\_guarantees\\_are\\_not\\_enough/](https://shelterforce.org/2012/09/14/loan_guarantees_are_not_enough/).

<sup>114</sup> Housing Assistance Council (HAC), *USDA Rural Development Housing Activity Fiscal Year 2019 Year-End Report*, [https://ruralhome.org/wp-content/uploads/2022/03/USDA\\_Obligation\\_Report\\_FY\\_2019\\_Final\\_-\\_Compressed\\_3-1.pdf](https://ruralhome.org/wp-content/uploads/2022/03/USDA_Obligation_Report_FY_2019_Final_-_Compressed_3-1.pdf). The 2019 report is the most recent one available as of the cover date of this report.

<sup>115</sup> *FY2022 USDA Explanatory Notes – Rural Housing Service*, p. 31-13, <https://www.usda.gov/sites/default/files/documents/31RHS2022Notes.pdf>.

<sup>116</sup> For example, in 2018 the Chairman of the Senate Committee on the Budget requested reviews from several Offices of Inspectors General, including USDA’s, “evaluating the economy, efficiency, and effectiveness of Federal expenditures on housing assistance programs.” The letter is available at <https://www.budget.senate.gov/imo/media/doc/Chairman%20Enzi%20to%20HUD%20USDA%20VA%20Treasury%20OIG.PDF>. The resulting USDA OIG report was issued in August 2020; see USDA Office of Inspector General, *Duplication of Housing Assistance Programs*, Inspection Report 04801-0001-23, August 2020, [https://www.usda.gov/sites/default/files/audit-reports/04801-0001-23\\_final\\_distribution.pdf](https://www.usda.gov/sites/default/files/audit-reports/04801-0001-23_final_distribution.pdf).

<sup>117</sup> For example, a 2012 GAO report found that FHA’s single-family mortgage insurance program served more borrowers than the Section 502 Guaranteed Loan Program in rural areas. Similarly, HUD provided rental assistance for more housing units in rural areas than RHS. See GAO, *Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation*, GAO-12-554, August 2012, <https://www.gao.gov/assets/gao-12-554.pdf>.

<sup>118</sup> See Section 13 of the discussion draft bill at <https://web.archive.org/web/20110626062641/https://>

introduced, it was the subject of House Financial Services Committee subcommittee hearings.<sup>119</sup> In 2018, a Trump Administration government reorganization proposal included a recommendation to move the RHS single-family and multifamily loan guarantee and rental assistance programs to HUD, arguing that such a move would help achieve operational efficiencies by consolidating similar programs under one agency.<sup>120</sup> In addition, GAO has examined opportunities for increased collaboration or consolidation among housing assistance programs in general,<sup>121</sup> and the RHS and FHA single-family mortgage guarantee programs in particular,<sup>122</sup> as well as some of the challenges and policy considerations that would be involved.<sup>123</sup>

Many of these proposals have been met with opposition from rural housing program stakeholders, who argue that the RHS programs play a needed role in rural areas, and that moving the programs outside of USDA would weaken their ability to serve rural needs. They note that, unlike HUD, USDA has a focus and expertise on rural issues, that USDA RD's network of local offices has advantages in reaching rural residents, and that the specific features of some USDA programs improve their ability to reach certain rural populations.<sup>124</sup>

## Recent Appropriations

**Table 13** provides five years of appropriations information for the USDA rural housing programs discussed in this report. The table reflects budget authority (including credit subsidy) and loan authorization levels, as applicable and labeled.

Budget authority is the amount of new funding an agency is authorized to spend, and is generally set in an appropriations act. Loan authorization levels are the total dollar volume of new loans an agency is authorized to issue (in the case of direct loans) or guarantee, and are also generally set

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[financialservices.house.gov/uploadedfiles/fha\\_rural.pdf](https://financialservices.house.gov/uploadedfiles/fha_rural.pdf).

<sup>119</sup> U.S. Congress, House Committee on Financial Services, Subcommittee on Insurance, Housing and Community Opportunity, *Legislative Proposals to Determine the Future Role of FHA, RHS, and GNMA in the Single- and Multi-family Mortgage Markets*, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., May 25, 2011, Serial No. 112-32 (Washington, DC: GPO, 2011), <https://financialservices.house.gov/uploadedfiles/112-32.pdf>; and U.S. Congress, House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, *Legislative Proposals to Determine the Future Role of FHA, RHS, and GNMA in the Single- and Multi-family Mortgage Markets, Part 2*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., September 8, 2011, Serial No. 112-57 (Washington: GPO, 2012), <https://financialservices.house.gov/uploadedfiles/112-57.pdf>.

<sup>120</sup> See the Trump Administration's *Delivering Government Solutions in the 21<sup>st</sup> Century Reform Plan and Reorganization Recommendations*, p. 35, <https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf>.

<sup>121</sup> GAO, *Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation*, GAO-12-554, August 2012, <https://www.gao.gov/products/gao-12-554>.

<sup>122</sup> GAO, *Home Mortgage Guarantees: Issues to Consider in Evaluating Opportunities to Consolidate Two Overlapping Single-Family Programs*, GAO-16-801, September 2016, <https://www.gao.gov/products/gao-16-801>.

<sup>123</sup> See, for example, *ibid.* and the "Consolidation or Increased Coordination Presents Immediate Challenges and Has Longer-Term Implications" section beginning on page 62 of GAO, *Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation*, GAO-12-554, August 2012, <https://www.gao.gov/products/gao-12-554>.

<sup>124</sup> See, for example, Leslie Strauss, "Why Keep Rural Housing Programs at USDA?", *Shelterforce*, July 18, 2012, [https://shelterforce.org/2012/07/18/why\\_keep\\_rural\\_housing\\_programs\\_at\\_usda/](https://shelterforce.org/2012/07/18/why_keep_rural_housing_programs_at_usda/); and U.S. Congress, House Committee on Financial Services, Subcommittee on Housing, Community Development, and Insurance, *The Affordable Housing Crisis in Rural America: Assessing the Federal Response*, 116<sup>th</sup> Cong., 1<sup>st</sup> sess., April 2, 2019, Serial No. 116-13 (Washington, DC: GPO, 2019), available at <https://www.govinfo.gov/content/pkg/CHRG-116hhrg37396/html/CHRG-116hhrg37396.htm>.

in an appropriations act. The cost of providing that authorized loan amount, as determined by the Congressional Budget Office, is reflected in the credit subsidy.

As noted earlier, obligation levels shown earlier in this report reflect commitments made by federal agencies to spend funding and may not match appropriations information shown in this table, as (among other reasons) appropriated funds may be obligated across fiscal years.

**Table 13. Appropriations for Rural Housing Programs, FY2017-FY2021**

(Dollars in millions)

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Rural Housing Insurance Fund Account</b>					
Section 502 Direct Home Loans					
<i>Loan Authorization</i>	1,000.0	1,100.0	1,000.0	1,000.0	1,000.0
<i>Credit Subsidy</i>	67.7	42.4	67.7	90.0	55.4
Section 502 Guaranteed Home Loans					
<i>Loan Authorization</i>	24,000.0	24,000.0	24,000.0	24,000.0	24,000.0
Section 504 Housing Repair Loans					
<i>Loan Authorization</i>	26.3	28.0	28.0	28.0	28.0
<i>Credit Subsidy</i>	3.7	3.5	3.4	4.7	2.2
Section 514 Farm Labor Housing Loans					
<i>Loan Authorization</i>	23.9	23.9	27.5	28.0	28.0
<i>Credit Subsidy</i>	7.1	6.4	6.9	8.7	5.1
Section 515 Rural Rental Housing Direct Loans					
<i>Loan Authorization</i>	35.0	40.0	40.0	40.0	40.0
<i>Credit Subsidy</i>	10.4	10.5	9.5	12.1	6.7
Section 516 Farm Labor Housing Grants					
	8.3	8.3	10.0	10.0	10.0
Section 523 Self-Help Housing Land Development Loans					
<i>Loan Authorization</i>	5.0	5.0	5.0	5.0	5.0
<i>Credit Subsidy</i>	0.4	0.4	0.4	0.6	0.3
Section 524 Site Development Loans					
<i>Loan Authorization</i>	5.0	5.0	5.0	5.0	5.0

	FY2017	FY2018	FY2019	FY2020	FY2021
<i>Credit Subsidy</i>	0.1	0.1	0.2	0.5	0.4
Section 538 Rural Rental Housing Guaranteed Loans					
<i>Loan Authorization</i>	230.0	230.0	230.0	230.0	230.0
<b>Rural Rental Assistance Account</b>					
Section 521 Rental Assistance	1,405.0	1,345.0	1,331.0	1,375.0	1,410.0
<b>Multifamily Housing Revitalization Account</b>					
Rural Housing Vouchers	19.4	25.0	27.0	32.0	40.0
Multifamily Housing Preservation and Revitalization Program	22.0	22.0	24.0	28.0	28.0
<b>Mutual Self-Help Grant Account<sup>a</sup></b>					
Section 523 Mutual Self-Help Grants	30.0	30.0	30.0	31.0	31.0
<b>Rural Housing Assistance Grants Account<sup>b</sup></b>					
Section 533 Housing Preservation Grants	5.0	10.0	15.0	15.0	15.0
Section 504 Housing Repair Grants	28.7	30.0	30.0	30.0	30.0

**Source:** Figures taken from the subsequent fiscal year’s Comparative Statement of Budget Authority accompanying annual appropriations acts.

**Notes:** Table is structured based on the most recent year’s appropriations legislation; in prior years, programs may have been funded under different account structures.

- a. While the Comparative Statement of Budget Authority tables for some years show Mutual Self-Help grants funded within the Multifamily Housing Revitalization Account, in the legislation itself the program is shown as funded in its own account, which is how it is displayed in this table.
- b. While the Comparative Statement of Budget Authority tables for some years show Rural Housing Assistance Grants funded within the Multifamily Housing Revitalization Account, in the legislation itself it is shown as its own account, which is how it is displayed in the table. The specific amounts provided for each of the programs within the Rural Housing Assistance Grants account—Section 533 Housing Preservation Grants and Section 504 Housing Repair Grants—are specified in the relevant conference agreements/explanatory statements.

## Supplemental Appropriations

**Table 13** reflects regular annual appropriations. Recently, several rural housing programs have received additional supplemental funding in response to the COVID-19 pandemic. Specifically, the American Rescue Plan Act (ARPA; P.L. 117-2) in FY2021 appropriated the following:

- \$39 million for direct loans through the Section 502 and Section 504 programs, which RHS is using to refinance loans for certain Section 502 and Section 504 borrowers;<sup>125</sup> and
- \$100 million for Section 521, which RD is using to expand rental assistance to unassisted tenants who are rent burdened.<sup>126</sup>

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<sup>125</sup> USDA RD, "Temporary Authorization Single Family Housing Direct Programs," unnumbered letter, May 12, 2021, <https://www.rd.usda.gov/sites/default/files/rdul-arp.pdf>.

<sup>126</sup> USDA RD, "The American Rescue Plan Act of 2021 Emergency Rental Assistance for Rural Housing," unnumbered letter, April 5, 2021, <https://www.rd.usda.gov/sites/default/files/rdul-arpunit.pdf>.