

**Testimony presented to the
Subcommittee on Insurance, Housing and Community Opportunity
House Committee on Financial Services
U.S. House of Representatives
on the draft, "FHA-Rural Regulatory Improvement Act of 2011"
September 8, 2011**

The National Low Income Housing Coalition is pleased to submit comments on the proposed legislation, the FHA-Rural Regulatory Improvement Act of 2011.

Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

Section 13 of the draft bill would transfer the U.S. Department of Agriculture's Rural Housing Service to the Department of Housing and Urban Development. Under the draft bill, the HUD Secretary would have an 18-month transition period to transfer all functions, personnel, assets and liabilities of RHS to HUD. Within 60 days of the bill's enactment, the HUD Secretary would have to submit a transfer plan to Congress.

After considering this proposal, NLIHC urges the Subcommittee to delay action on this measure until it can be examined more fully. While there may be reasons to shift RHS programs to HUD, very few of them are readily apparent to those in our broad network. Instead, after conversations with our members, a long list of potential downfalls is at hand. NLIHC would not support the proposal moving forward at this time.

Rural Housing Service Part of Integrated Rural Development Work

A key concern with the proposal to shift RHS to HUD is the resulting disconnect between RHS and its current base, the USDA's Office of Rural Development (RD). RD offices across the United States administer the Rural Utilities Service, a critical community lynchpin in the creation and preservation of affordable housing.

Again and again, NLIHC has heard from our members that the array of products administered by state RD offices ensure that rural water, sewer, telecommunications, and other infrastructure components work in tandem with rural housing resources. Likewise, RD's administration of community facilities loans and grants, which help build child care centers, fire and police stations, hospitals, libraries, and schools, etc., can today work hand-in-hand with RHS, maximizing USDA's community and economic development impact in rural areas.

Besides RHS, other RD functions would remain at USDA under the proposal. Here, we see the rural housing programs torn from their best partners, those that coordinate housing development with child care centers, utility infrastructure with new development, and so on.

Rural Focus

Another key area of concern is the potential to lose RHS's complete focus on rural needs and rural solutions, as they can differ significantly from their more urban counterparts. NLIHC's partners describe RHS's "personal touch" and intimate familiarity with local properties and projects. In addition, RHS's knowledge of its housing and community development projects bring a strong commitment to preservation, a key tool in addressing rural America's affordable housing needs.

There are also many concerns about thrusting RHS onto a Department that does not have the same roots into our nation's most remote areas. These fears, if realized, could mean a loss of attention and solutions for some of the country's most struggling communities. If HUD were to take on such a broad reach, it is also quite unclear to our members where any cost savings would be generated. Rather, the proposal could result in increased costs as HUD works to recreate the connections now operating at RHS.

At this time, NLIHC would oppose any legislation to transfer RHS to HUD. We look forward to continuing a conversation started by this draft that explores the pitfalls and opportunities of moving RHS to HUD, but believe the proposal needs significant additional exploration.

Thank you for considering our comments.