

Written Testimony of Rich Davis  
Acting Deputy Administrator for Single Family Housing

United States Department of Agriculture

Rural Development  
The Energy Industry's Impact on Housing in North Dakota  
Senate Budget Committee Field Hearing

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Thank-you Chairman Conrad for the opportunity to speak today on the United States Department of Agriculture (USDA), Rural Development (RD) housing programs. The Housing Act of 1949 provides the authority to make and insure Single Family Housing (SFH) Direct and Guaranteed loans to purchase or build homes which are modest in size, design, and cost to applicants that are without sufficient resources and are unable to secure credit elsewhere on reasonable terms and conditions.

The SFH Direct loans are limited to applicants whose household income is 80 percent or below of the area median income as established by the Department of Housing and Urban Development. Guaranteed loans are capped at 115 percent or less. These loans and guarantees can be for up to 100 percent of the cost or value of the property being financed.

In fiscal year (FY) 2009, the average income of the households served through the SFH Direct program in North Dakota was about \$30,000 and the average loan amount was about \$99,000. At the same time, the average income for the SFH Guarantee program was about \$46,000, and the average loan was about \$100,000.

The SFH guaranteed loan program is designed to assist low and moderate income households to buy or build homes in rural areas. On a nationwide basis, RD Section 502 guaranteed loans provided over \$16.2 billion in FY 2009. Some of the key aspects of this program are:

- Provides 100 percent financing; no down-payment is required.
- 30 year fixed rate loans for which income is always verified and affordability always confirmed.
- Homes must be modest, decent, safe, and sanitary.
- Delinquency and foreclosure rates well below the industry.
- Loans are made by private sector lenders and guaranteed by RD.

In the last three years (2007 / 2008 / 2009), RD's involvement in North Dakota, through various the SFH programs, totaled \$104 million. Highlighted below are some of the major activities:

- Provided approximately \$27 million a year in SFH loan guarantees to rural households in North Dakota. Total guarantees over the past three years were almost \$80 million.
- Provided approximately \$6 million a year in SFH direct loans to rural households in North Dakota. Total direct loans over the past three years were almost \$24 million.
- Provided over \$125 thousand a year in home repair loans for single family homes in North Dakota through the Home Repair Loan program. Total home repair loans were nearly \$400,000 over the past three years.
- Provided about \$286 thousand a year in home repair grants for single family homes in North Dakota, also through the Home Repair Loan program. Total home repair grants were about \$857,000 over the past three years.

In the past year, RD's involvement in North Dakota, through various Multifamily Housing programs, was as follows:

- Provided approximately \$1.9 million for new construction in 2009 using the MFH Direct Loan program to create 32 apartments for individuals and families with very low and low income families. In addition, RD provided approximately \$100,000 of preservation funding to repair existing affordable housing.
- Provided through the use of the Guaranteed Rural Rental Housing (RRH) program \$1.9 million for new construction and repair of existing multifamily housing that was used to provide workforce housing in 2009. The RRH program provides loan guarantees to develop rental housing for tenants up to moderate income levels (i.e. 115% of the area median income).
- Provided approximately \$4.5 million in rental assistance in 2009 to very low and low income tenants using the Rental Assistance program. More than 1,200 individuals and families received rental assistance using this program.

Rural Development has invested over \$51 million in multifamily housing properties in North Dakota and provides affordable housing to about 5,000 rural residents in its multifamily developments.

We recognize that the strength in the energy sector has created a significant demand for additional housing in North Dakota and other similar areas throughout the region. Rural Development's housing programs and offices work with local realtors, real estate developers, and approved lenders to finance new construction and substantial rehabilitation of single family housing portfolio. When ownership of housing is not an option, RD's multifamily housing programs provide financing and loan guarantees to

increase the housing portfolio and preserve the housing portfolio for families at every income level (very low income, low income, and moderate income levels).

I welcome questions and comments regarding ways RD can continue to partner with state and local government officials and the private sector.

Thank you.