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February 10, 2015

The Honorable K. Michael Conaway
Chairman
House Committee on Agriculture
2430 Rayburn House Office Building
Washington, DC 20515

The Honorable Collin C. Peterson
Ranking Member
House Committee on Agriculture
2204 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Conaway and Ranking Member Peterson:

Thank you for holding this hearing on the State of Rural Economy. While our national economy has recovered, rural communities were often harder hit and face greater challenges to recovery. Almost 20 percent of the U.S. population lives in rural areas or small towns and nearly all of the counties with the highest poverty rates in America are rural. The National Association of REALTORS® (NAR) recognizes the uniqueness of rural communities and the key role that housing plays in building strong communities. REALTORS® who live in and serve these communities also understand the need for specialized programs, like those of the Rural Housing Service, to meet the needs of Americans living in rural areas.

The Rural Housing Service (RHS) 502 loan program provides opportunities for homeownership for these families. In FY 2014, the RHS helped more than 130,000 rural American families become homeowners, nearly 80 percent of whom were first-time homebuyers. The program includes guaranteed and direct loans. Section 502 loans can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. The guaranteed loans are funded by private lenders and insured by the RHS. NAR believes that enhancements can be made to provide greater access to these programs for rural families.

First, the severely outdated definition of “rural” used by the program needs to be improved. Our nation’s demographics have changed dramatically since the definition was created in 1974, and should be revised to reflect current realities. The Association looks forward to working with the U.S. Department of Agriculture (USDA) and Congress to update this definition, and better serve rural Americans.

Second, today, every RHS loan must be approved by staff of the Rural Housing Service. In recent years, RHS staffing has been dramatically reduced, and borrowers have experienced significant delays in loan approval. Both the Veterans Affairs loan guaranty and the FHA mortgage insurance program utilize private lenders for direct endorsement. Providing RHS with the authority to approve direct endorsed lenders would create great efficiencies for the Service and for homebuyers. RHS, in turn, would have additional staff time to focus on a strengthened lender monitoring process and risk management. NAR strongly urges Congress to provide RHS with direct endorsement authority to ease burdens on the agency and accelerate loan processing for borrowers.

Rural communities deserve special attention. I thank you for holding this hearing, and look forward to working with you to ensure the needs of rural families are met.

Sincerely,



Chris Polychron
2015 President, National Association of REALTORS®

cc: Members of the House Committee on Agriculture

