

February 14, 2011

The Honorable Timothy V. Johnson, Chairman
House Agriculture Subcommittee on Rural Development, Research, Biotechnology, and
Foreign Agriculture
1207 Longworth House Office Building
Washington, DC 20515

Dear Chairman Johnson:

As the Subcommittee considers the numerous definitions of “rural” as used for government programs, the National Association of REALTORS® (NAR) and the Realtors® Land Institute urge you to take into consideration the critical impact rural housing programs have on tens of thousands of rural communities. Given the importance of rural housing programs, NAR strongly believes that a review and revision of the definition of “rural” as used by these programs is needed.

Rural families face unique difficulties in finding access to safe, affordable mortgage financing. Programs like the Rural Housing Section 502 loan program are instrumental in providing opportunities for homeownership for these families. 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. These loans are funded by private lenders, and simply insured by the RHS. In FY09, the 502 program guaranteed 116,000 rural families’ affordable, safe home loans. But in these times of limited access to mortgage loans, the need is even greater.

Under the Section 502 program, rural communities must be outside of a metropolitan statistical area (MSA), be “rural in character,” have a serious lack of mortgage credit, and have a population under 20,000. The National Association of REALTORS® would like to offer several suggestions to change those requirements. The definition that a community must be outside an MSA has eliminated many needy communities (some with populations even below 10,000 residents) from eligibility for the program. Today’s MSAs are no longer the compact geographical areas that they once were and include communities located far from the urban core. We urge RHS to eliminate this requirement.

Further, the definition that a community must have a population under 20,000 is arbitrary. According to the 2000 census, nearly 70% of the population lives in urban areas, defined as those with a population over 50,000. We urge you to review their delineation, and consider increasing the population cap. In addition, we support the existing grandfathering of communities that have risen above the cap, and urge that it continue. Populations change; people come and go. Communities should not be immediately excluded from the rural

housing program because they grew beyond the cap. There should, at a minimum, be a multi-year phase in period, and review to make sure that any growth was not temporary.

As private mortgage markets have dried up, many rural families rely on the Section 502 loan program. This program not only helps those families, but helps local housing markets, creates jobs and generates new tax revenues. The definition underlying this program is critical to providing programs where they are needed most.

Sincerely,

The National Association of REALTORS®

Realtors® Land Institute

Cc: Members, House Agriculture Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture